

MSC Notice 2004-42
The Commodity Futures Act

Section 15(1)
Winnipeg Commodity Exchange Inc.
Application for amendment to registration as an exchange

The Manitoba Securities Commission is publishing for comment the application received from the Winnipeg Commodity Exchange Inc. (WCE) dated September 15, 2004. The application is attached to this notice.

Background

On June 11, 2002 the Commission issued order number 3784 granting the WCE and WCE Holdings Inc. (Holdings) registration as an exchange and recognition as a self-regulatory organization under sections 14(1) & 15(1) of the Act. A copy of this order is available from the Commission's web site at http://www.msc.gov.mb.ca/orders/wce_5.html.

On April 27, 2004 the WCE announced a Memorandum of Understanding had been signed with the Chicago Board of Trade (CBOT) stating that negotiations were to commence with a view to list WCE futures and options contracts on the electronic trading platform, e-cbot™, powered by LIFFE CONNECT™.

On May 19, 2004 the shareholders of Holdings passed a resolution approving a change from open outcry to electronic trading.

On September 16, 2004 the WCE announced that an Agreement has been signed with the CBOT to list WCE futures and options contracts for trade on the CBOT's electronic trading platform, e-cbot™ powered by LIFFE CONNECT™.

Subject to regulatory approval, the WCE anticipates converting to the electronic trading platform in December 2004.

The purpose of the application filed by the WCE is to seek an amendment to the previous Commission order to permit the continued registration of the WCE as an exchange and as a self-regulatory organization under the Act.

Publication of Application

The Commission is in the process of reviewing the application to determine whether the requirements of the Act have been satisfied. The application is being published to provide interested parties with an opportunity to make submissions to assist the Commission in its review of the application.

The Commission is not publishing certain appendices to the application. The Commission has determined that these appendices contain confidential and propriety information the disclosure of which could cause irreparable harm and provide competitors of the WCE with information to which they are not entitled.

Submitting Comments

The Commission is inviting interested parties to make comment on the application. **Comments received on or before Friday October 22, 2004 will be considered.** Submissions may be made by e-mail or by way of letter. Letters must include an electronic version of the comments in Word format.

All comments received will become part of the public record of the Commission and will be published on the Commission's web site.

Following the initial comment period the Commission will determine whether additional information is required to make a decision on the application. The applicant and any party that has submitted comments may be asked to make additional written or verbal submissions to the Commission.

All comments and questions should be addressed to:

By e-mail:

doubrown@gov.mb.ca

By mail:

The Manitoba Securities Commission

1130-405 Broadway

Winnipeg Manitoba R3C 3L6

Attention: Douglas R. Brown – Secretary to the Commission

The Manitoba Securities Commission

September 20, 2004.

September 15, 2004

By e-mail, original provided by courier

The Manitoba Securities Commission
1130 – 405 Broadway Avenue
Winnipeg, Manitoba
R3C 3L6

Attention: Mr. Douglas R. Brown, Director Legal/Enforcement

Dear Sirs:

Re: Conversion of Trading Platform from open outcry to Electronic Trading

Winnipeg Commodity Exchange Inc. (“WCE” or the “Exchange”) respectfully submits the enclosed application to the Manitoba Securities Commission (herein the “Commission” or “MSC”). It requests a review of its recognition as a commodity futures exchange pursuant to section 15 (1) of *The Commodity Futures Act (Manitoba)*¹ relative to the conversion of the trading platform from open outcry to electronic trading and non-disapproval of the new Rules and Annexures necessary to effect same. The Rules and Annexures will take effect upon the launch of electronic trading system.

Commission staff has advised that this letter may be published by the Commission for public comment. Accordingly, confidential and proprietary information has been attached as Appendixes to the letter. This documentation contains information that is confidential and proprietary, either to the Exchange or to the Chicago Board of Trade and/or the London International Financial Futures and Options Exchange (LIFFE) the disclosure of which would cause irreparable harm and provide competitors with information to which they are not entitled. The desirability of avoiding disclosure of this information outweighs the desirability of making it available to the public for inspection. Pursuant to section 68(3) of *The Commodity Futures Act (S.M.)* confidentiality is asserted over all appendixes attached to this letter, with the exception of Appendixes A, E, F, H and I.

This letter is divided into the following sections:

1. Commission Review and the IOSCO Principles
2. Background: Winnipeg Commodity Exchange Inc. and its markets
 - (a) Introduction

¹ Pursuant to Recognition Order No. 2784 dated June 11, 2002
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

- (b) Corporate organization
 - (c) Demutualization
 - (d) Self-Regulatory Organization status and internal exchange regulatory matters
3. Electronic Trading
- (a) Why is the Exchange converting its trading platform?
 - (b) Reference to the experiences of other derivatives exchanges which utilize electronic trading systems.
4. Electronic Trading System
- (a) Overview of system
 - (b) Regulatory Processing
 - (c) Clearing
 - (d) Market Monitoring
 - (e) Market Data and Price Dissemination
5. Proposed New Rules and Annexures
6. Certification of Material Facts and Agreement to Update Information

While certain of the background information is known to the Commission due to its role as regulator of the Exchange since February 1, 2001, it is included here for completeness and due to the fact that the letter may be published for comment and should therefore include all relevant details to put the matter into context.

1. COMMISSION REVIEW AND THE IOSCO PRINCIPLES

It is submitted that the role of the Commission in reviewing this matter should focus on the three objectives of regulation² articulated by the 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, together with the principles set out in the October 2000 Report of the Technical Committee of the International Organization of Securities Commission, “Principles for the Oversight of Screen-Based trading Systems for Derivative Products” (herein the “October 2000 IOSCO Report”).

The said Principles are (the principles endorsed from the 1990 Report):

- 1. The system sponsor should be able to demonstrate to the relevant regulatory authorities that the system meets and continues to meet applicable legal standards, regulatory policies, and/or market custom or practice where relevant.**
- 2. The system should be designed to ensure the equitable availability of accurate and timely trade and quotation information to all system participants and the system sponsor should be able to describe to the relevant regulatory authorities the processing, prioritization, and display of quotations within the system.**

² From Objectives and Principles of Securities Regulation September 1998, International Organization of Securities Commissions
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

3. The system sponsor should be able to describe to the relevant regulatory authorities the order execution algorithm used by the system, i.e. the set of rules governing the processing, including prioritization, and execution of orders.
4. From a technical perspective, the system should be designed to operate in a manner which is equitable to all market participants and any differences in treatment among classes of participants should be identified.
5. Before implementation, and on periodic basis thereafter, the system and system interfaces should be subject to an objective risk assessment to identify vulnerabilities (e.g. the risk of unauthorized access, internal failures, human errors, attacks, and natural catastrophes) which may exist in the system design, development, or implementation.
6. Procedures should be established to ensure the competence, integrity, and authority of system users, to ensure that systems users are adequately supervised, and that access to the system is not arbitrarily or discriminatorily denied.
7. The relevant regulatory authorities and the system sponsor should consider and additional risk management exposures pertinent to the system, including those arising from interaction with related financial systems.
8. Mechanisms should be in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the system sponsor and the relevant regulatory authorities on a timely basis.
9. The relevant regulatory authorities and/or the system sponsor should ensure that system users and system customers are adequately informed of the significant risks particular to trading through the system. The liability of the system sponsor, and/or the system providers to system users and system customers should be described, especially any agreements that seek to vary the allocation of losses that otherwise would result by operation of law.
10. Procedures should be developed to ensure that the system sponsor, system providers and system users are aware of and will be responsive to the directives and concerns of relevant regulatory authorities.

And the four additional principles articulated in the October 2000 IOSCO Report, as follows:

1. Regulatory authorities with responsibilities arising from the operation of cross-border markets for derivative products ('relevant regulatory authorities') should develop cooperative arrangements and coordinate supervisory responsibilities, consistent with each authority's responsibilities and in a manner that promotes regulatory effectiveness and avoids the imposition of unnecessary regulatory costs.
2. Each regulatory authority with responsibilities related to a cross-border market for derivatives (whether in respect of the market operator or the market participants) should be prepared to share relevant information in an efficient and timely manner. In developing cooperative arrangements, regulators should attempt to identify in advance the information needed, the sources of that information, the manner in which the information can be obtained and the channels through which it can be shared.
3. The applicable regulatory requirements in the jurisdiction of each relevant regulatory authority and the framework for regulatory coordination and cooperation should be transparent.
4. In considering their approach to cross-border markets for derivatives, access jurisdictions should take into account whether the initial jurisdiction authorizing the market operator applies the IOSCO Objectives and Principles of Securities Regulation (September 1998) and the 1990 Principles as supplemented above.

We note at the outset that this letter will not focus on or provide analysis debating the merits of electronic trading systems versus open outcry auction. It is submitted that this is a matter which the world's marketplace and market participants have already determined. It is accepted that electronic trading provides certain of the most basic and fundamental attributes set out by the IOSCO Principles, including the fact that electronic trading systems provide for the equitable availability of accurate and timely trade and quotation information and that they operate in a manner which is equitable to all market participants, regardless of class of participant. Every participant has equal access to an electronic marketplace. This access is not available in an open outcry environment.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

In Canada, the WCE is the only exchange that continues to utilize an open outcry trading platform; both the TSX Group of Companies and the Bourse de Montreal Inc. have utilized electronic trading systems for years to the benefit of all their market participants. This is consistent with the rest of the world, as, for over a decade, exchanges have adopted electronic trading platforms for some or all of their business, in direct response to the demands of the marketplace. As noted in the October 2000 IOSCO Report, “...As the processing power and sophistication of screen-based trading systems have increased, and their costs fallen, they have become the predominant trading method in many markets.”³

2. BACKGROUND : WINNIPEG COMMODITY EXCHANGE INC. AND ITS MARKETS

a) Introduction

Winnipeg Commodity Exchange Inc. (“WCE” or the “Exchange”) is a commodity futures exchange which facilitates trading in futures and options contracts in canola, flaxseed, feed wheat and western barley. WCE is governed by *The Commodity Futures Act (Manitoba)* (the “CFA”). The CFA is under the mandate of The Manitoba Securities Commission (the “MSC”). Pursuant to the provisions of the CFA, the Exchange has been recognized as a commodity futures exchange and as a self-regulatory organization.

The Exchange was issued a Part 30.10 order from the Commodity Futures Trading Commission (CFTC) of the United States on May 15, 2001. As part of its obligations under that Order the Exchange has kept the CFTC fully updated on all matters of a material nature. On August 30, 2004 the Exchange filed an application with the CFTC for a no-action letter pursuant to section 5 and 5a of *The Commodity Exchange Act*.⁴

WCE was founded in 1887 with cash markets in grains and grain products, followed shortly by forward, futures and options markets. WCE is the only agricultural, futures and options exchange in Canada.

All Exchange contracts are cleared through WCE’s designated clearing house, WCE Clearing Corporation (WCECC). WCECC is a wholly owned subsidiary of WCE Holdings Inc. the parent company of the Exchange. Its rules and procedures conform to the recommendations of the Futures Industry Association Global Task Force on Financial Integrity.

WCE is a public marketplace dedicated to providing a facility for price discovery and risk transfer of commodities in an efficient and transparent manner. The present functions and objects of the WCE include;

³ IOSCO 2000 Report page 3.

⁴ This no-action letter application seeks permission from the Division of Market Oversight of the CFTC to make the e-cbot® system available to (i) WCE Participants who wish to trade for their proprietary accounts, (ii) WCE Participants who are registered with the CFTC as Futures Commission Merchants (FCMs) or are exempt from such registration pursuant to Rule 30.10 (Rule 30.10 Firms) and who wish to submit the orders of United States customers to the e-cbot® system and/or to accept orders from United States customers through automated order routing systems (“AORSs”) for submission to the e-cbot® system. The letter requests that the Division confirm that it will not recommend enforcement action to the Commission against WCE or its participants if WCE does not seek designation as a contract market or registration as a derivatives transaction execution facility (“DTEF”) pursuant to sections 5 and 5a of *The Commodity Exchange Act* (the CEA or “Act”) or comply with those regulations that specifically relate to contract markets or DTEFs in connection with the installation and use in the United States of the e-cbot® powered by LIFFE CONNECT® system and/or AORSs that are used to submit orders to the e-cbot® powered by LIFFE CONNECT® system.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

- (i) to provide, regulate and maintain a well-functioning marketplace;
- (ii) to collect and circulate market information;
- (iii) to provide an arbitration system;
- (iv) to regulate the forms of contracts for futures trading;
- (v) to establish and enforce relevant By-laws, and rules;
- (vi) to maintain amongst its Participants just and equitable principles in trade, stability, and adherence to high standards of commercial conduct; and
- (vii) to inspire public confidence in the methods, workings and integrity of its markets.

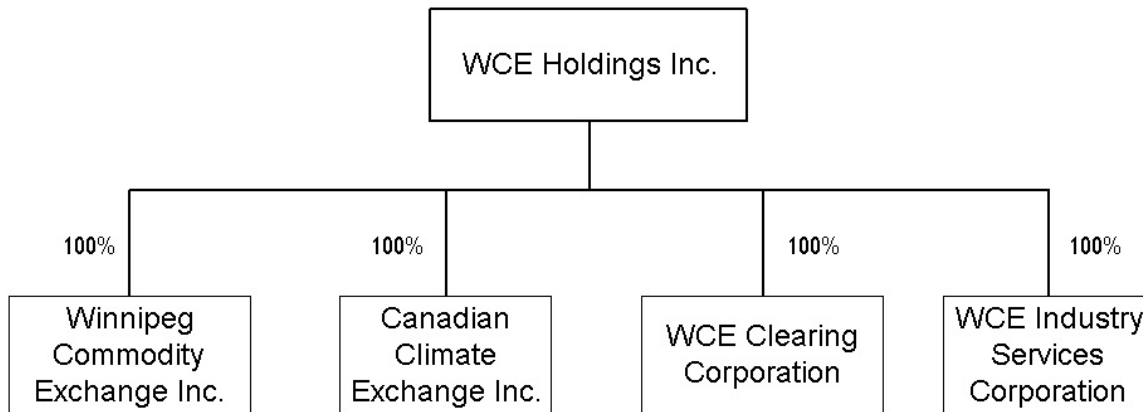
Currently all contracts are traded exclusively by open outcry. The decision has been made, by the Board of Directors and by a vote of shareholders, to convert the trading platform from open outcry to electronic trading.

The electronic trading platform chosen by WCE is the e-cbot® trading system powered by LIFFE CONNECT® (herein “e-cbot”). The trading host provider is the Chicago Board of Trade (CBOT).

The conversion to electronic trading is scheduled to take place on Monday December 20, 2004. (the intention is a complete cut-over: There is no intention to run side by side trading).

b) Corporate Organization

The Exchange is a wholly owned subsidiary of WCE Holdings Inc. Both are for-profit, share capital corporations. The diagram below provides an outline of the corporate organization of WCE Holdings Inc. and its wholly owned subsidiary corporations. All of these corporations are incorporated pursuant to the provisions of *The Corporations Act (Manitoba)* with the exception of the Canadian Climate Exchange Inc., which is incorporated pursuant to the provisions of the federal *Corporations Act*.



At this time WCE Holdings Inc., Winnipeg Commodity Exchange Inc., and WCE Clearing Corporation (“WCECC”) are regulated by the Manitoba Securities Commission. Canadian Climate Exchange Inc. and

WCE Industry Services Corporation are not conducting registerable activities and are not relevant to this application.⁵

WCE Holdings Inc. and WCE are governed by the same 13-person Board of Directors. The Board is elected by the shareholders of WCE Holdings Inc. based on criteria outlined in the Exchange's Recognition Order, which provides that 3 of the individuals must be 'outside directors' with no relationship to the Exchange in terms of being either a shareholder, a Participant, an employee of a Shareholder or a Participant or a member of a board of directors of either a Shareholder or a Participant. The Board deals with all matters other than regulatory issues. All regulatory issues, including the responsibility for staff of the Regulatory Division of the Exchange are under the mandate of a separate committee with Board-equivalent powers, known as the Special Regulatory Committee.

c) **Demutualization**

On November 1, 2001 WCE demutualized⁶ following an affirmative vote of its membership by 90% of the ballots cast. In exchange for the transfer of all right, title, and interest in their membership certificates, each member received 100 Class A Common shares of WCE Holdings Inc. for each membership held.⁷

Winnipeg Commodity Exchange was continued as WCE Holdings Inc. pursuant to the provisions of a special act of the legislature of the Province of Manitoba. This corporation is constituted with 2 classes of shares: Class A Common Shares and Class B Preferred Shares (issuable in series). As noted above, the prior members of Winnipeg Commodity Exchange exchanged their Exchange membership certificates for Class A common shares, which are voting shares. Each membership certificate was exchanged for 100 Class A common shares of WCE Holdings Inc. The Articles prescribe a restriction on the shares in that no entity or affiliated group of persons may hold more than 14.99% of the issued and outstanding shares. The securities commissions of several provinces issued a Decision Document which permitted the first issuance of WCE Holdings Inc. shares. There is a requirement that the Board of Directors must approve all share transfers in order to ensure compliance with the exempt market restrictions of the Decision Document. There are currently 24,000 Class A Common Shares issued and outstanding, of which 23,497 are votable. No Class B Preferred shares have been issued.

A new corporation, Winnipeg Commodity Exchange Inc. was incorporated on November 1, 2001 which assumed all of the undertakings, operations, assets and liabilities of the commodity futures exchange business. The Exchange has only one class of shares, Class A Common shares, all of which are owned and controlled by WCE Holdings Inc.

At the time of demutualization the Exchange had minimal capital resources, as was required for a not-for-profit organization. The Exchange did not own, and currently does not own, any real property or assets

⁵ Canadian Climate Exchange Inc. is a company set up to explore the possibility of setting up an exchange for the trading of emissions credits. Its future depends upon the Canadian government's decision on how it intends to set up the regulatory processes surrounding greenhouse gas emissions in Canada and ultimately upon whether or not the Kyoto Protocol is ratified. WCE Industry Services Corporation provides ancillary non-regulated services to the business of an agricultural commodities exchange, including consulting work and work for international aid agencies (CIDA, etc.).

⁶ The words "demutualize" and "demutualization" etc. refer to the process and series of transactions whereby a not-for-profit membership organization is changed into a share capital, for-profit corporation.

⁷ Certain entities held more than one membership upon demutualization, and were provided 100 Class A common shares for each membership held. Pursuant to the Articles of Incorporation, no shareholder may hold in excess of 14.99% of the issued and outstanding shares.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

other than certain investments. The Commission has been provided with the financial statements of the Exchange on an annual basis (audited) and on a quarterly basis (unaudited).

Demutualization required both a significant corporate reorganization and major amendment to Exchange rules. The most significant amendment required by demutualization, from a regulatory viewpoint, was the mandating of a new division within the Exchange, the Regulatory Division, and a new committee, the Special Regulatory Committee (SRC) to oversee all aspects of all compliance and enforcement functions at the Exchange. This will not change with the conversion to electronic trading. The next section deals with issues relating to internal Exchange regulations and its status as a recognized Self-Regulatory Organization under Section 14 of the CFA.

d) Self-Regulatory Organization Status and Internal Exchange Regulatory Matters

The Exchange was cognizant, during the demutualization process, of the inherent conflict in a for-profit environment when the corporation is a self-regulatory organization and is required, by virtue of that status, to ensure regulatory compliance.

In this respect, the Exchange reviewed the June 2001 report of the Technical Committee of the International Organization of Securities Commission (IOSCO) entitled "Issues Paper on Exchange Demutualization." (the "Paper").

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 Technical 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 by the Technical Committee to be preferable. The Paper noted that the decision as to which model to employ should be that of the Exchange.

WCE determined to set up a separate division within the Exchange to handle all regulatory matters. Its decision was based on the following factors. In Canada, WCE is the only agricultural commodity futures exchange. There is no existing independent regulatory body that could be retained to do the necessary compliance and regulatory work. Further, the delivery and shipment process, which is a significant

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

portion of the regulatory division's oversight work, particularly in reference to market surveillance matters, is a detailed and complex system unique to the Exchange. From the registration of elevators, monitoring of stock reports, overseeing of issuing of warrants (the paper evidencing the obligations on the short to make delivery) and Delivery Certificates (the paper, issued by the Exchange which evidences the right of the long to take shipment of the grain) through to the matching for shipment purposes and ensuring compliance with all delivery rules, all aspects are Exchange based and operated. It was not possible to find an appropriate external regulatory entity to do the necessary work. The Exchange's operations were deemed not sufficiently large to warrant setting up a separate corporation. Accordingly the model of a division within the corporate structure of the WCE was chosen.

We note that Bourse de Montréal Inc., the other futures exchange in Canada, also operates its regulatory division under a similar structure with a separate regulatory division operating within the corporation.

The Regulatory Division is headed by the Special Regulatory Committee ("SRC"), a 5-person committee which operates independently of the for profit structure of the Exchange. The SRC has overriding jurisdiction on all matters relating to regulation. The Commission has recognized the jurisdiction of the SRC in Recognition Order No. 3784, which is attached to this application as Appendix "A". The provisions of Order No. 3784 which relate to the SRC are set out in Attachment "A" to the said order and are set out below:

The Exchange shall, by June 30, 2002, establish and maintain a Regulatory Division which shall be responsible for all matters relating to compliance and market surveillance as set out in the Act or as further required by the Commission from time to time. As part of the Regulatory Division, the Exchange shall constitute and maintain a Special Regulatory Committee (SRC), which shall be a special committee approved by the board of directors of the Exchange responsible for the Regulatory Division.

The operations of the Regulatory Division, including the investigation and compliance functions of the Exchange, shall be independent of the for-profit operations of the Exchange and Holdings.

The Exchange shall ensure that the Regulatory Division has the necessary resources to fulfill its market and regulation functions.

Each SRC member shall be appointed by the board of directors of the Exchange for a term not less than two years. Appointments to SRC can be renewed.

The Exchange shall advise the Commission in writing of the names and background of each person proposed for appointment to the SRC.

In recognition that the SRC has been established to promote the protection of the public interest and protection of the integrity of markets, a reasonable number and proportion of members of the SRC shall not be associated with a participant registered with the Exchange or a shareholder of Holdings.

SRC shall be autonomous in accomplishing its functions and in its decision-making process. The independence of the SRC shall be ensured and strict partition measures shall be established in order to prevent conflicts of interest with other activities of the Exchange and Holdings.

Disciplinary decisions of the SRC, arising out of hearings, shall be subject to appeal to the Commission in accordance with the Act.

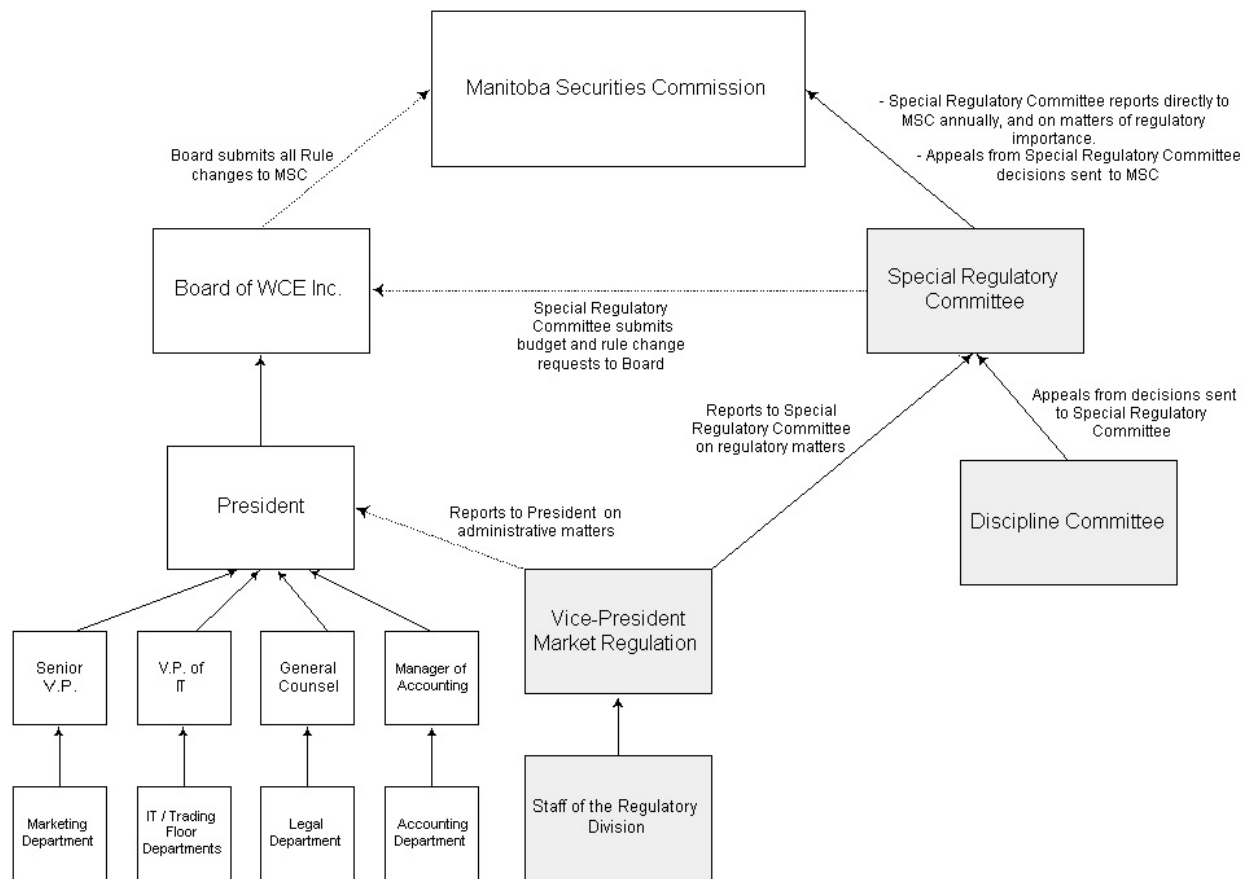
The SRC shall provide the Commission with a written report on the operations of the Regulatory Division on an annual basis. The report shall be in a form specified by the Commission and shall include:

- a. description of the activities of the Regulatory Division;
- b. financial information relating to all of the operations of the Regulatory Division, including all compliance and enforcement functions; and
- c. such information as may be requested by the Commission from time to time.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

The SRC shall promptly provide a written report to the Commission detailing any misconduct or fraud on the part of a participant or its representatives, or such other circumstance that may result in material loss or damage to the Exchange or its operations.

The following diagram sets out the internal reporting structure and the position of the Special Regulatory Committee in the Exchange organization, all of which the Commission has accepted as conforming to the requirements of Order No. 3784. What is important to fulfillment of the conditions of Order No. 3784 and to fulfilling the spirit of the said Order is the separation of jurisdiction between the regulatory and the business matters of the Exchange's operations. Part of this was achieved by setting up the internal organization such that the staff of the Regulatory Division report directly to the SRC on all matters of regularly importance and to the President (and thereafter the Board of Directors) on purely administrative matters.



Exchange Rules 9 (Regulatory Division), 10 (Inspections, Investigations and Hearings) and 11 (Violations and Penalties) provide for the Regulatory Division and its operation.

Rule 9 provides for the creation of the Regulatory Division and the SRC and provides for the powers of the SRC. No aspects of this Rule have been revised and the attached new rules are the same for Rule 9.

September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to The Manitoba Securities Commission re: ETS conversion

With reference to the requirements of Order No. 3784, the Board of Directors, by Resolution, ceded the following powers under rules to the SRC, which direct that the SRC shall:

- (1) Ensure that the Regulatory Division has the resources it needs to carry out its duties. In the event the Special Regulatory Committee determines that the Regulatory Division has insufficient resources it shall make a recommendation(s) to the Board to resolve the matter.**
 - (2) Ensure that the Regulatory Division carries out its duties and responsibilities and that it does so in a manner that is fair, objective and without conflict of interest; and**
 - (3) Evaluate the performance of the Regulatory Division and report thereon to the Commission on or before May 31 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, policies and rule amendments of a matter other than administrative or operational in nature, 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;**
 - (iv) Market Surveillance matters; and**
 - (v) Suspensions for failure to provide information pursuant to Rule 10D.06;**
 - (6) Review and make rule amendments which are administrative or operational in nature.**
- c. To hear and decide on hearings at first instance where the Rules so require.**
- d. To hear and decide appeals from decisions of the Discipline Committee.**

The Rule further provides that the Regulatory Division has responsibility for Investigation and Market Surveillance Services (Rule 9.08). The Rules also provide for Reporting guidelines for staff of the Regulatory Division which clearly separate it from the for-profit side of the business.

The Regulatory Division is comprised of the Vice-President, Market Regulation, Manager of the Regulatory Division and an Assistant to the Manager. This staff is responsible for ensuring compliance with the Rules on the part of all Participants at the Exchange, conducting investigations and inspections into all matters, whether brought forward by a client or Participant complaint or whether on its own initiative and for ensuring that all matters of regulatory importance are brought forward to the SRC at its regular meetings. The SRC meets on a regular basis approximately once every 8 weeks with more frequent meetings scheduled as required.

The majority of investigations and inspections relate to trading activities, ensuring the compliance of Participants with position holding requirements (the Position Limit rules set out in Rule 12) and matters concerning the delivery and shipment processes and procedures required by the trade rules. Matters concerning issues between FCMs and their retail clients are primarily dealt with by reference to the self-regulatory organization that the FCM is a member of.

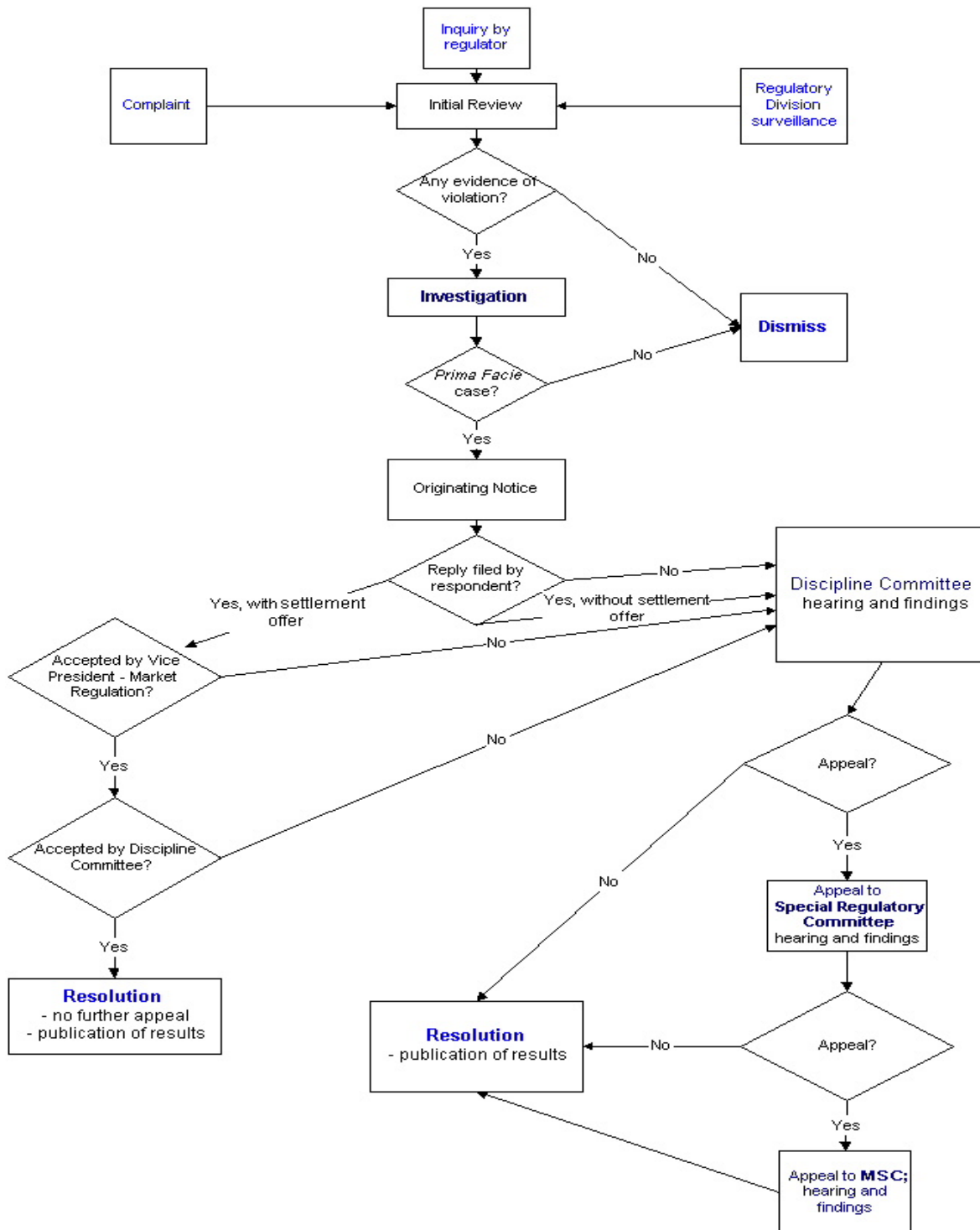
Rule 10 provides for the powers necessary to allow staff of the Regulatory Division to conduct and carry out investigations and inspections. The new Rule 10 contains very few changes. The processes and procedures set out in Rule 10 have been reviewed by the Commission and we submit that they provide the necessary jurisdiction to staff to fully investigate and oversee the integrity of the WCE markets, while adhering to Canadian administrative laws of due

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

process and natural justice. Rule 10 recognizes that participation in the capital markets in Canada is a privilege, not a right. Rule 10 further recognizes that a fair market requires rigorous investigation powers, including the requirements in the Rules on all participants to cooperate fully with staff of the Regulatory Division in the course of investigation, the requirement on all participants to produce all relevant documentation as and when called for and the requirement on all participants and their employees and agents to attend before staff of the Exchange, and answer question under oath, and under transcript taken by a court reporter. Failure to cooperate in producing documentation, and/or the failure to attend to answer questions under oath will result in a hearing before a disciplinary committee with penalties up to and including the revocation of Participant status.

Once an investigation file is opened the file cannot be closed without a detailed investigation report written up by staff of the Regulatory Division which provides an outline of all the details of the investigation and provides a recommendation as to whether to proceed to a hearing or close the file. This confidential investigation report is reviewed by the Vice-President Market Regulation and then submitted to one member of the Special Regulatory Committee. No investigation file is closed without completing this process.

Rule 10 provides for the initiation of a hearing, all relevant pleadings and the process of the hearing(s) including appeals. The diagram following outlines the processes;



September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to The Manitoba Securities Commission re: ETS conversion

Rule 11 (Rule 11C.01) provides for the penalties that can be assessed against Participants by the appropriate disciplinary committee. The penalties include warnings, conditional discharge, compliance and cease and desist orders, fines, and suspensions and expulsion from Participant status. Participants who are expelled can only be re-admitted to participant status upon an affirmative vote of two-thirds of the Board and the consent of the Special Regulatory Committee.

All hearings are public and public notice is required to be made, with a description of the violations with details of the penalties posted on the Exchange's website.

As noted, staff of the Regulatory Division also provide reports to the SRC on all matters of regulatory importance, and the SRC may also initiate reviews of matters on their own initiative. Over the past year the SRC completed work on the following significant projects:

i) Code of Conduct/Ethics Seminar

The SRC had requested staff to conduct a major review of ethics relating to Floor Traders⁸, including the preparation and approval of a Code of Conduct for all persons trading on the trading floor, amendments to Chapter 11 of the WCE Floor Brokers course and the hosting of a mandatory seminar to teach traders the new Code and the updated ethics chapter.

It was noted that prior to last year there were few rules or directions relating solely and directly to the responsibilities of those who are eligible to trade on the floor respecting dealings with clients and the marketplace.

Staff had identified that most self-regulatory organizations have Codes of Conduct applicable to their members. In Canada, all professions that have been granted self-regulatory status have detailed Codes of Conduct (e.g. College of Physicians and Surgeons, the Law Society, physiotherapists, the Nurses Association, and so forth). With respect to the securities and derivatives industries, almost all have codes of conduct in addition to their other rules and requirements. The Code of Conduct that was developed by the Special Regulatory Committee for use by traders in an open outcry environment is based on principles developed and recognized by related organizations, in particular, the National Futures Association in the United States, the Canadian Securities Institute and the International Organization of Securities Commissions.

It is not possible, for several reasons, including WCE's unique categories of registration, to rely upon the Canadian Securities Institute Code. That Code only applies to registered FCMs and their employees, but more importantly, it specifically does not deal with derivatives trading – that is left to the exchanges. Another unique aspect is that WCE is the only exchange in Canada still utilizing an open outcry trading environment for which it has two unique categories of registration; Floor Brokers and Floor Traders.

It was determined that the most efficient and effective way to provide the materials would be through a mandatory seminar.

The seminar was conducted by Exchange Analytics Inc., a company out of Chicago Illinois, whose expertise is in providing training seminars to traders. The seminar presenter, Mr.

⁸ Floor Traders in this section refers to all individuals registered to trade on the trading floor of the Exchange.
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Howard Sorkin, was formerly a floor broker at several exchanges including the CBOT and has taught both ethics and trading training courses for several years at exchanges including NYBOT and CBOT. All floor traders were required to take the seminar which was held in December 2003.

ii) Negotiated Options

In February, 2004, WCE introduced a new (for the Exchange: there are U.S. and European exchanges that have offered these products for trading for some time) form of options trading – Negotiated Options. These products are similar to Exchange-traded options, in that their underlying asset is a WCE futures contract. However, unlike Exchange-traded options, Negotiated Options are negotiated bilaterally between two parties, and submitted to the Exchange for clearing. They also are permitted to have specifications that deviate from those of Exchange-traded options in certain areas and, as such, Negotiated Options are not offsettable against standard Exchange-traded options.

The Board mandated a new committee, the Flexible Options Ad Hoc Committee, to oversee a review of the potential for new types of options. The committee was comprised of a variety of Participants, many of whom were already involved in the OTC options market. The Committee recommended that, at inception, WCE Negotiated Options should take a “plain vanilla” format, with more exotic forms (Barrier, Asian) to be considered at a later time. Under the plain vanilla format, the terms of the WCE Negotiated Options contracts are the same as their exchange-traded counterparts, with the exception of the expiry date and strike price, which may be negotiated between the counterparties, within certain broad parameters. On February 12, 2004 the Exchange submitted a request for non-disapproval to the Commission, which was granted.

The introduction of Negotiated Options puts WCE in a position to capture some of the ever-growing OTC market. Many other derivatives exchanges around the world have also examined and/or introduced rules within the past year that facilitate the clearing of OTC products.

iii) Default Rules

In early 2004, WCE finalized and implemented Default Rules. These rules delineate the specific procedures and obligations that occur when either a Warrant issuer (an entity that is making delivery under the futures contract) or Delivery Certificate holder (the entity that is obligated to take delivery under the futures contract) fail to meet their respective Warrant / Delivery Certificate obligations, or appear to be in a situation where there is a substantial likelihood they will fail to meet their obligations. The Default Rules apply to the period of time after the Clearinghouse is no longer involved in the delivery process – that is the period of time when the Clearinghouse matches up the longs and shorts and they exchange cash for delivery certificates and the period of time when the longs have called for shipment and the shorts complete shipment.

The potential for default of a contract’s terms is an area of significant concern for the Exchange. Unlike cash settled contracts, the time between delivery at the Clearinghouse and the finalization of shipment can be lengthy.

The need to have very detailed rules is due to the fact that the Exchange is solely responsible for its own delivery system. In the United States, the various legislation dealing with warehouses puts in place government-mandated stock reporting requirements, details on how elevators have to be maintained and operated, mandatory audits, and both criminal and civil sanctions for failure to adhere to the requirements of the legislation. U.S. exchanges can rely on these statutory measures for some standards which provide a level of certainty and security for physically-settled US agricultural futures contracts. As a result, WCE, in February 2004 put in place Rule 22 which provides for its contracts' integrity.

iv) Market Surveillance

The WCE Market Surveillance Program (the "MSP") underwent substantial review and modification during 2003 and the first half of 2004. Although the initial elements of the MSP went into effect in late 2002, the majority of its substantive components, including speculative position limits and exemptions to those limits, were brought into force in early 2003.

After being in effect for half a year, and seeing three contract months through delivery, the Regulatory Division undertook a review of the MSP to determine its effectiveness. This review was performed on the 2003 contracts, with specific focus on the July/03 canola. The review concluded that:

- The MSP was, in general, functioning effectively and achieving its stated purpose.
- The July/03 canola had liquidated in an orderly manner.
- Compliance with the MSP by market participants had been good, despite the fact it was a relatively new policy, and some elements of it required interpretation.
- Clarification should be made to the cash bidding requirements of the hedge exemption, so as to remove uncertainty in this area.

The MSP review and cash-bidding changes were presented to the Special Regulatory Committee at its October 29, 2003 meeting. The SRC accepted the findings of the review and the suggested changes to the bidding requirements.

Changes were made to the method by which a long position is calculated vis a vis the speculative limits. Previously, only futures positions were included in the calculation. However, during the spot month, Delivery Certificates ("DCs") are essentially equivalent to long futures. Therefore, it was determined that DCs should be added to long futures positions when assessing speculative position limits.

The most recent change to the MSP was the removal of the spread exemption to the speculative position limits. The spread exemption allows market participants to hold long positions in the spot month in excess of the speculative limit as long as they offer the nearby futures spread at full carry, with full carry determined by the daily storage rates set out by WCE. Evidence led to the determination that the spread exemption inhibits the ability of the cash market and the futures market to converge, since new shorts are not created when the spreads are at full carry, and longs continue to hold their position without having to bid equivalent to futures in the cash market WCE has removed

the spread exemption effective with the October/04 Flaxseed, March/05 Feed Wheat, May/05 Western Barley, and November/05 Canola contracts.

3. Electronic Trading

a) Why the conversion to electronic trading?

As noted previously, the WCE is not forging a unique path in its conversion to electronic trading; rather it is following a path already well traversed by other exchanges throughout the world.

For the past several years, the global derivatives industry has been in a state of significant change, both with respect to the transition to electronic trading platforms and with the various mergers and acquisitions that have taken place. See Appendix "B". It should be of interest that a number of seemingly large and independent national exchanges, such as the Paris Bourse, the Brussels Exchange and the Amsterdam exchange all have been acquired and are now part of a larger organization. The reality of the exchange business is that it is no longer possible to maintain a franchise based merely on geographical location – capital is very fluid and is not longer bound by regional or national borders. That is due in large measure to the reality of electronic trading systems as a fixed and established part of the derivatives exchange business.

As at August 2004, the top 20 derivatives exchanges in the world, by volume of transactions are either fully or substantially electronic. The top 20 derivatives contracts (by volume) all trade on electronic trading systems.⁹

On May 19, 2004, the shareholders of WCE Holdings Inc., parent company of the Exchange, voted by 81% of the ballots cast to convert its Articles of Incorporation to authorize the conversion from open outcry to electronic trading. This decision was made upon the recommendation of the board of directors, who provided a detailed background information to shareholders, providing the board's reasons for recommending the conversion. The following is an excerpt from that information.

INTRODUCTION

As part of the demutualization process, a by-law was enacted that contains a provision that requires a positive vote of sixty percent (60%) of the WCE Holdings Inc. shareholders who vote to change from open outcry trading to electronic trading. This vote relates to permitting a change to the trading environment only. Information as to the option under consideration is being provided to the shareholders in order to assist in their making a decision on the resolution at issue, however, all matters relative to proceeding to electronic trading, including determining which entity will supply the electronic trading services, implementation details and timing, contractual issues, determination of launch date, and similar matters, will be at the sole determination of the Board of Directors.

REASONS FOR RECOMMENDATION

It is proposed that the trading environment at WCE be converted from open outcry to electronic trading for the following reasons:

Floor Technology and Disaster Recovery Plan

⁹ Futures Industry Magazine July/August 2004, pgs, 10-11.
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

The systems that are necessary to support open outcry trading are the Price Reporting System (PRS), the Options Display System (ODS), and the Trade Entry Matching System (TEMS) (collectively the "Floor Systems"). The Floor Systems, as well as the hardware that supports the Floor Systems, are all old and require replacement.

In addition, the issue of disaster recovery has increasingly come to prominence, particularly after September 11, 2001. It is now a business expectation for exchanges to have a disaster recovery site; preferably a "hot" back-up site ready to be up and running within a 24 hour period. It is not acceptable to market participants to have the markets down for an extended period of time. The fixed and ongoing costs of a back-up site for open outcry are prohibitively expensive because of the need for a physical site with duplication of all services including communication lines and all necessary hardware and software.

The cost of replacing the Floor Systems and developing a back-up site to support an open outcry environment will be greater than \$1 million. Further, annual operating costs to maintain floor operations and the back up site, will be increased by an amount in excess of \$300,000 per year. It is not in the best interests of shareholders for the Exchange to invest such significant resources on a method of operating an exchange (open outcry) which is unlikely to continue much longer.

There is a trend worldwide, particularly in Europe and Asia, but accelerating rapidly in North America, for exchanges to convert to electronic trading. The reasons for this conversion are based on the competitive realities of the exchange business. An electronic platform provides greatly increased access to markets, and the potential for added liquidity and a tighter bid/ask spread. Exchanges utilizing electronic trading platforms are able to provide inexpensive, efficient and transparent trading opportunities to market participants throughout the world. In turn, these additional participants, when able to access markets directly, provide considerable additional liquidity. Trading capital, in an era of screen based trading, is very mobile.

The significant investment that will be required to upgrade the Floor Systems and provide for a disaster recovery site will not provide WCE with the ability to expand its participant base. Further, it will not provide a reasonable return on investment to WCE shareholders without a significant increase in fees.

Market Liquidity and Attraction of new Participants to WCE's Markets

The Exchange has expended significant effort on attracting new participants and new volume to the Exchange and its contracts. While the Exchange has considerable support from commercial participants and speculators, additional volume is required to provide the necessary liquidity to appeal to a broader trading population. Additional volume will come from professional traders, hedgers, and managed money. These entities trade through Futures Commission Merchants who are more likely to support and promote contracts that they have direct and immediate trading access to. It is more cost effective for Future Commission Merchants to access WCE markets via an electronic trading platform than to establish an operation on the trading floor. The costs involved in setting up an office and retaining staff in Winnipeg and meeting the regulatory requirements are not justified and deemed uneconomical to a market the size of Winnipeg's. The WCE markets must be accessible directly by Future Commission Merchants and professional traders, for volumes to increase appreciably.

It has also been difficult to attract new locals and liquidity providers to the floor to provide additional speculative volume. Further, additional volume from participants in the Far East and in Australia is likely to increase if such participants have direct access to the WCE markets. While transferring to an electronic platform will not guarantee the entry of new participants to Winnipeg's markets or guarantee that the current participants will increase trading, experience at other exchanges indicates that an electronic trading platform increases volumes by increasing the number of potential

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

participants to the market and the ease with which participants can access the market at times convenient to them.

Listing new products and attracting the corresponding liquidity can be accomplished more economically and successfully in an electronic environment than in an open outcry environment where physical location presents an impediment to attracting new capital.

Transition to Electronic Trading

The Exchange has been reviewing electronic trading systems since 1999. Over the years, 25 potential ETS solutions were explored. In recent months the number of systems under serious consideration was reduced to 4. The following factors were identified as being key to the decision on what system to utilize.

System Utilization – How many other exchanges are using the system? Is the electronic system currently operating efficiently and effectively? Is it a robust system able to handle significant amounts of volume? Is it stable or are there technical problems?

Potential Participants – Who is connected to the system? What are their primary market interests? Do these interests lead to arbitrage possibilities with WCE's markets?

Cost – The combined ETS and clearing costs must provide participants with a cost effective solution to do business while allowing for the potential of profit for the corporation.

Spread Functionality – Spread trading is significant at WCE. The ability of the electronic platform chosen to deal with spreads is critical.

Front End systems - These refer to the systems that can access the ETS chosen. The more Independent Software Vendors that have written to the system the more choice and the lower the cost structure available to WCE market participants. Many Future Commission Merchants access systems through their own proprietary systems.

Connectivity – The options available for market participants to access the electronic trading system is very important to an analysis of an electronic trading system.

Matching Algorithm - The ability to support a variety of matching algorithms is a relevant factor, although not determinative.

Based on this criteria, the board has determined that licensing the Chicago Board of Trade's (CBOT) electronic trading platform is the optimal solution for WCE's markets. e-cbot® is the electronic platform utilized by CBOT. CBOT is one of the world's largest exchanges with significant history and depth in the agricultural commodity markets. It currently facilitates trading on futures and options contracts on wheat, corn, oats, soybeans, soymeal and soyoil. e-cbot®, powered by LIFFE CONNECT®, is the most functionally rich electronic trading application available today. By way of only one example, e-cbot® supports over 35 different spreading strategies (seven for futures and the remainder for options). e-cbot® is very stable and robust; currently supporting trading of over 1 million contracts per day.

The e-cbot® platform has a significant number of participants connected to it, many of which have interests in markets similar to the WCE markets. Nineteen (19) independent software vendors and seventy-three (73) firms have written to the e-cbot® platform. Finally, e-cbot® provides for numerous matching algorithms which will provide more flexibility as WCE moves forward and determines which algorithm is best suited for WCE contracts.

Upon approval by the shareholders of this resolution, and receipt of the necessary regulatory approvals, the Board will proceed to finalize the terms of an agreement with CBOT. In the event that such negotiations cannot be successfully concluded, the Board intends to explore opportunities to license another electronic trading platform. It is intended that an agreement will be signed in the near future and that WCE contracts will trade on an electronic platform in the last quarter of 2004. Side by side trading has been determined not to be viable due to the costs required to maintain a trading floor. WCE will maintain autonomy over its markets, continuing to operate out of its

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Winnipeg, Manitoba office. All marketing, new contract development, participant, shareholder, and regulatory matters and administration will be maintained by WCE. Day to day market operations, help desk and similar matters will be coordinated with CBOT.

In order to meet the transition timeline, the Exchange will be working very closely with all existing and potential new trading participants. CBOT has significant experience in implementing electronic trading systems. In addition, all CBOT participants currently connected to e-cbot®, the CBOT electronic trading platform, will have the opportunity to access WCE contracts. The Board of Directors and management is confident that the transition will be seamless and that liquidity will improve, resulting in exciting investment opportunities for speculators and enhanced risk management vehicles for hedgers.

Summary

The Board has determined that the business risk of retaining an open outcry environment is too great. Replacing old Floor Systems technology to continue to support open outcry will not position the Exchange to grow its market. The Board is of the opinion that changing the trading platform from open outcry to an electronic trading platform is in the best interest of the Exchange and of the shareholders.

Please see Appendix “C “ for further information.

b) Reference to the experience of other exchanges utilizing electronic trading platforms.

In discussions with staff of the Commission on this matter, the issue of liquidity has been raised, and in particular, staff has questioned what assurances can be provided that the liquidity in the WCE’s contracts will not drop significantly upon the conversion to electronic trading. It is obviously not possible to predict the future, however, we look to the experience of other exchanges that have converted from open outcry to electronic trading and based on this information are confident that volumes will increase over time.

The experience of other exchanges is that while in some cases there may be an initial small drop in transaction volume immediately following the conversion, the volume then begins to increase significantly. This is consistently the case, whether the products traded are financials or commodities. This is also the case whether the contracts had large trading volumes at the time of conversion or smaller trading volumes.

The reason for the initial drop in some cases, and the resultant surge in volume has been attributed to the fact that a certain part of the trading population in the open outcry environment will not make the transition and that the volume of that group is then replaced and increased by new market participants; those with the expertise and capital to trade electronically. Once the electronic platform is connected all participants have equal access to the markets and the opportunities to trade that were previously available to only those persons geographically located close to the trading pits are now available to all on a fair, equal and transparent basis. This has consistently brought in additional volume to these markets and the Exchange is confident that this will also be the experience with respect to the WCE markets. (See Appendix “D”).

4. ELECTRONIC TRADING SYSTEM

a) Overview of System

The Exchange has entered into a Hosting Agreement with CBOT whereby CBOT will provide hosting services for the WCE’s futures and options contracts on its electronic trading and order

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

matching system, known as e-cbot® trading platform powered by LIFFE CONNECT® (herein the “e-cbot system”). CBOT commenced using the e-cbot® system in 2003, after it was reviewed by the CFTC.

The CFTC has endorsed the ISCO Principles and applies same in its review of applicants for no action letter relief from sections 5 and 5a of *The Commodity Exchange Act*. We note that in granting no-action relief to LIFFE on July 23, 1999, the CFTC noted the LIFFE CONNECT® system adhered in all respects to the IOSCO Principles.¹⁰

The trading host provider for the Exchange’s proposed electronic trading system, is the Chicago Board of Trade (CBOT). The trading system utilized under the Hosting Agreement will be the e-cbot® system powered by LIFFE CONNECT® (herein “e-cbot®”). The initial designated WCE Hosted Products will be all of the futures and options contracts currently listed for trading by WCE. It is intended that there will be a one time cut over date whereby, on or about, Friday December 17, 2004 the trading floor will shut down and on Monday December 20, 2004 all trading in WCE products will be available for trading solely on the e-cbot® system.

The e-cbot® system is an electronic trading environment which was originally developed in 1998 to support LIFFE’s London futures and options markets. CBOT has concluded a successful implementation of the e-cbot® system for its members and this will facilitate the Exchange’s conversion project from open outcry to electronic trading.

The e-cbot® system is the world’s most advanced and complete electronic trading platform offering unrivaled execution, flexibility and speed with consistency and certainty. It provides enhanced functionality, including full spread trading capabilities (with more spread functionality than any other system), option strategy functionality, flexible trading algorithms, real time quotes and dynamic price limits. The system is an anonymous order-driven system where traders are unaware of the counterparty to the trade.

The system is based on an open system architecture using an API which allows users to build or purchase trading applications to suit their specific organizational needs. There is the potential to integrate front and back-office trading, risk management and order routing systems. At this time there are 19 ISVs providing certified front end applications for use by market participants. Attached as Appendix “E” is a listing of these certified ISVs. Alternatively many market participants have also programmed and had certified for use, their own proprietary systems.

Regardless of the application used, market participants submit orders to the Trading System at any time from the start of the pre-open period until the market closes. All orders must specify the price of the contract month or spread and the quantity to be bought or sold at that price. The system stores all orders in a central order book and performs order matching with corresponding orders. A market participant has the ability to revise orders and/or withdraw orders at any time during the trading session. The trading system time stamps all orders and this time stamp is used for subsequent order prioritization in contracts where the price and time trade-matching algorithm is employed and where implied spread trading occurs.

¹⁰ The no action letter can be located on the CFTC website at http://www.cftc.gov/tm/letters/99letters/tmliffe_no-action.htm

Order types permitted include Limit Orders, Market Orders, Market on Open orders, and Contingent Multiple orders. It is also possible to have the following designated orders; Good till Cancelled, Good till Day, Immediate and Cancel, complete Volume orders and Minimum Volume orders.

The e-cbot® system provides for fair, transparent and equal access to the WCE markets for all persons who wish to trade. All order information is equally and consistently available to all market participants. Participants can view market depth information on any chosen markets, making the system fair to market participants throughout the world.

Attached as Appendix “F” is a copy of the *e-cbot Electronic Trading Platform Reference Manual*. This document provides all relevant details of the e-cbot system functions and capabilities and Market Operations and Controls.

Attached as Appendix “G” is systems information proprietary to the CBOT and LIFFE.

These documents detail the e-cbot® system and the system enhancements and operational enhancements necessary to the e-cbot® system to allow for the Hosting Agreement to take place.

Briefly, the processes, enhancements and systems required for WCE that are above and beyond the delivered functionality within the e-cbot® and LIFFE CONNECT® version 7.1 platforms are:

- Regulatory Processing – WCE will be responsible for all regulatory processing and reporting for WCE products and participants. CBOT will provide needed files and information to WCE to support this requirement.
- Clearing – WCECC will clear matched trades using a clearing service provider.
- Market Monitoring – CBOT will provide active monitoring support while the WCE will have onsite monitoring tools in a ‘view only’ mode for up to date market information and status.
- Product Dissemination – CBOT will provide exchange specific contract data for clearing purposes to both WCECC and its clearing service provider.
- Participant Dissemination – CBOT will provide WCE with specific member and participant information. Additionally, an exchange specific version of the current Electronic Trader ID file, will be provided to WCECC to support clearing of WCE trades.
- Market Data and Price Dissemination – CBOT will distribute WCE market data (Market Updates and Market Depth) to subscribing Quote Vendors via the CBOT Quote Vendor network. In addition, CBOT will make available to WCE and WCECC a Prices File providing High, Low and Settlement prices. WCE will bill WCE quote vendors for any/all data distribution fees and retain ownership of negotiated QV contracts and market data fee billing with quote vendors and end users.

b) Regulatory Processing

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

All regulatory matters concerning the WCE marketplace are, and will remain, the responsibility of WCE. CBOT will be providing the files and data necessary and WCE will update its internal databases with the data, and archive all of these files.

Regulatory processing and surveillance reporting for the WCE markets will be handled by WCE's Regulatory Division.

The following data will be provided by CBOT to WCE in order to enable WCE to handle its regulatory processing:

- **Trade Data:** Trade data is needed to monitor trade activity. Near real-time M1 messages, representing matched pre-cleared trades, will be passed from the Trade Handling System to WCECC. WCECC, through its back office clearing service provider, will provide this file data to WCE on a daily basis, end of day. Trades will be saved/stored by WCE for regulatory purposes. Pre-cleared trade data is also available from the Audit Data Interface (ADI) file and the market update feed.
- **Order Data:** Order data is needed to further investigate and/or determine possible violations. This information will be provided as an end of day (EOD) file generated from the Audit Data Interface (ADI) and will be in .CSV format (file will be compressed using Unix Compression). The ADI will also provide the audit trail of other host activity such as market data, member logon/logoff, etc.
- **Participant Data:** Participant information is needed in order for WCE to stay current of new ITM's and user ids. A "once a day" XML file of the Exchange's Member Mnemonics, Individual Trade Id's (ITM's) and User Id's will be provided.
- **Time and Sales:** Time and Sales information is required for regulatory monitoring and reporting. This information will be obtained by the WCE through the trade data from the ADI or M1 messages as well as from the Market Data feed.

Daily files will be transmitted via a secured method along the direct point-to-point connection(s) established between CBOT and WCE. Once the necessary data is loaded into the Exchange's database system, the following surveillance reports are available:

Raw Data Integrity – Crosschecks various data elements to ensure integrity. Run before all other reports.

Cross Trades – Flags all trades where Trader and Opposite Trader are the same.

Give-Ups - Lists all giveups.

Deliveries/Exercises – Lists all deliveries and option exercises.

EFP/EFR – Lists all Exchanges of Futures for Physical, and Exchanges of Futures for Risk.

Potential Wash Trades – Flags all trades where beneficial ownership is the same on both sides.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Principal-Agent Trades – Flags all trades where a client order is across the personal or proprietary order of the trader.

Accommodation Trades – Flags pairs of trades where the same two entities trade across each other, once as a buy and once as a sell, within a short period of time.

Potential Front-Running – Flags pairs of trades for the same executing entity where the personal or proprietary account is traded prior to the customer account, with a short period of time.

Spreads, Straddles, and Strategies – Lists all non-outright trades.

Large Volume Trades – Lists all trades above a user-defined volume.

Broker's Principals – Summarizes all trades for a particular entity, by customer.

Principal's Brokers – Summarizes all trades for a particular customer, by executing entity.

All Trades by Entity – Lists all trades for a particular trader, customer, or account number.

Position Report – Lists all positions, by contract.

Significant Position Change – Flags any Clearing Participant or account with a position change in excess of a user-defined amount.

Position Activity – Summarizes the trading activity and closing positions for a particular Clearing Participant.

Potential Squeeze – Flags any account where the position in the spot month is increasing, while overall open interest is going down.

Time & Sales – Listing of Time & Sales activity for a particular contract.

Contract Summary – Summary of open, high, low, close, volume, and open interest for a particular contract.

In addition to these reports, the Regulatory Division will have the ability to perform ad-hoc queries on any of the data tables.

c) Clearing

To enable WCE trades to be cleared, the following files and data will be provided by CBOT;

- **Matched Trades:** Matched Trades for WCE contracts will be passed from the e-cbot® trading platform to clearing via the Trade Handling System (THS) in the existing M1 format. CBOT will ensure that all trades received from the host for WCE products are passed through to WCECC's back office clearing service provider. WCE would be responsible to work with the clearing organization to reconcile cleared trades against matched trades.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

- Participant/Membership Data: CBOT will communicate clearing specific member (ITM) and associated clearing firm details to the clearing organization to support WCE clearing.
- High, Low and Settlement Prices: The CBOT will pass a daily exchange specific Prices file to clearing for WCE trades. The prices file will provide a daily high, low and settlement prices at the end of the trading day.
- Real Time Market Feed: CBOT will provide WCE a real time market update feed. The Market Update feed provides Best Bid/Ask, Trade Price and quantity as well as cumulative volume.
- Volume and Open Interest: The clearing organization will provide Volume/Open Interest information for WCE products to CBOT and WCE, in a currently defined file format. CBOT in turn will update its Operational Data Store (ODS) and provide updates to QV's via the Quote Vendor feed.

d) Market Monitoring

CBOT will provide active monitoring support while the WCE will have onsite monitoring tools in a 'view only' mode for up-to-date market information and status.

The CBOT Market Operations department ensures that a fair and orderly market is maintained at all times and is the trader's daily point of contact with the exchange. Market Operations has a team of specialist staff dealing with specific product areas.

Responsibilities of the Market Operations team include, but are not limited to, supporting all member trading issues; communicating market conditions (e.g. halts, suspensions, etc.); managing the dynamic and daily price limits; managing trades in compliance with the Error Trade Policy; managing the trading calendar and valid contracts; and defining and confirming daily settlement prices.

e) Market Data and Price Dissemination

Market Data Information will be disseminated to the public through approved quote vendors in a manner similar to WCE's current processes, however, CBOT will be distributing this data via its existing market data distribution network pursuant to a written agreement between CBOT and WCE which is in the final stages of completion. All quote vendor agreements for WCE data with data distributors will continue to be entered into with WCE, with WCE subcontracting out to CBOT. CBOT will distribute electronic WCE market data (Market Updates and Market Depth) to subscribing WCE Quote Vendors via the CBOT Quote Vendor network. In addition, CBOT will make available to WCE and WCECC a Prices File providing High, Low and Settlement prices.

WCE will invoice WCE quote vendors for data distribution related fees and retain ownership of negotiated QV contracts and market data fee billing with quote vendors and end users. The market data feed will provide messages that will enable the retrieval and/or creation of Open, High, Low, Close and Settlement prices, Time and Sales and Cumulative information for WCE traded contracts.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

5. New Rules and Annexures

Attached as Appendixes “H” and “I” are the proposed new Rules and Annexures to take effect with the conversion to electronic trading, on December 20, 2004. These rules are submitted for non disapproval by the Executive Committee of the Board which was provided with the mandate to review and approve the new rules by Board Resolution dated August 3, 2004.

The following will highlight those portions of the Rules and Annexures that have been amended to allow for the conversion from the open outcry platform to open outcry.

Rule 1 – General and Administration

This rule includes several new definitions relevant to electronic trading, including new position requirements. Further it provides for Notice by way of immediate verbal notices followed up with written confirmation of same. This is consistent with the requirements of an electronic trading system where decisions must be made and forwarded within minutes and the need for verbal notification is critical.

Rule 2 - Liability of the Exchange

This rule has been rewritten to be consistent with the approach taken by electronic exchanges, including the Bourse de Montreal Inc. All market participants use the Trading Systems entirely at their own risk. The Exchange is not, and cannot, assume any liability for the use of the Trading Systems and anything related to same.

Rule 3 - Committees

The Committee rules mandate and provide for delegation of responsibilities from the Board. They ensure confidentiality of all information obtained in the course of committee membership status. The committees are: Arbitration and Expedited Arbitration, Discipline, Grains, Margins, Oilseeds, Options, Risk Management, and Electronic Trading.

Rule 4 – Participants and Future Commission Merchants

Upon demutualization, equity ownership in the exchange was separated from trading rights. It is not necessary to hold shares in order to trade. This will continue to be the case upon the conversion to electronic trading. All entities that meet the criteria for Participant status may apply to become registered in one or more categories.

The Rules allow for 4 categories of Participants: Direct Access Trading Participants, Trading Participants, Merchant Participants and Ancillary Participants. The first two categories refer to entities related to trading, Merchants refer to entities involved in the delivery process, and Ancillary Participant status affords no rights to trading or participation in the delivery system; they are entities with a general interest in the Exchange, often for historical reasons.

i) Direct Access Trading Participants are best described as those with direct access to the Trading System having a “direct” relationship to clearing – there is no intermediary between this category of participant and the clearing participant. An entity that wants to trade Exchange

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

contracts (whether via its own gateway connection, or via a connection owned by an independent software vendor – or “ISV”) must either be a Clearing Participant of the Clearinghouse (WCE Clearing Corporation) or must have a Clearing Authorization from a Clearing Participant.

ii) Trading Participants are entities that trade Exchange contracts and are entitled to receive reduced transaction fees.

As set out in the diagram at page 29, Direct Access Trading Participants and Trading Participants can register in different classes, depending upon whether they are companies or individuals, and depending upon the nature of their business with the Exchange.

A discussion of the requirements in Rule 4 for the class of participant “Futures Commission Merchant (FCM)” will follow.

Only FCMs are entitled to deal with the public¹¹. All FCMs must be properly registered with the regulatory authorities required in its home jurisdiction and must be a member in good standing of any self-regulatory organization required by the Exchange. The Exchange requires Canadian FCMs to be registered with a self regulatory organization that is a member organization of the Canadian Investor Protection Fund (CIPF). (Rule 4E.01) The member organizations of CIPF are; the Investment Dealer’s Association of Canada (IDA), Bourse de Montreal Inc., and TSX Group of Companies. All FCMs with the Exchange are members of either the IDA or the Bourse. The purpose of CIPF is to ensure that client assets are protected, up to a limit of CDN \$ 1 million per account (as that term is defined) if a company covered by CIPF becomes bankrupt. The determination process for payouts is entirely CIPF’s. CIPF requires that member firms covered by it meet and maintain financial standards and file detailed financial reports on a monthly basis, or more frequently as required. All member firms are required to calculate their risk adjusted capital on a daily basis and, if it falls below the minimum required amount, report themselves to CIPF which will take appropriate measures. CIPF requires that all customer fully paid for security positions must be segregated by FCMs, both in physical storage (if applicable) and in the Clearing Participant’s books, from the securities held by the Clearing Participant FCM.

For a security to be properly segregated, it must be held at an Acceptable Securities Location as defined by the SRO. The rights and obligations of the security custodian are outlined in the standard custodian agreement as required by the SRO. One such obligation of this agreement is that the custodian is prohibited from using customer assets to fulfill the obligations of the Clearing Participant.

The Exchange also requires under its Rules that all FCMs meet all requirements of the CFA. Further, the Exchange sets out specific additional rules for its FCMs in Rule 4 dealing with such matters as the requirements to deal in managed accounts (Rule 4E.02), Record Keeping, Method of Record Keeping and Retention requirements (Rules 4E.03, 03 and 05) Margins and Margin Agreements with Clients (Rules 4E.08 and 07 respectively), segregation requirements (Rule 4E.11) and Position Disclosure Requirements (Rule 4E.14).

iii) Merchant Participants are companies involved in the delivery process. This category of registration does not provide for trading rights. It is possible for a company to be registered as both a Merchant and a Trading Participants (or a Merchant and a Direct Access Trading Participant). Accordingly, companies involved in registering elevators for delivery against the Exchange’s

¹¹ The “public” means non-Participants of the Exchange.
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

contracts and/or issuing Warrants (this is the paper evidencing the obligation in the short to make delivery) must be registered in the appropriate class. Different classes require different criteria and provide for different rights and obligations. For example, a Merchant Participant registered in the classes of "Canola and Multi-Commodity" has the right to register elevators and issue warrants (make delivery) against all futures contracts and has the obligation to file audited annual and unaudited quarterly financial statements, maintain elevator licensing: insurance, file weekly stock reports and be subject to audits.

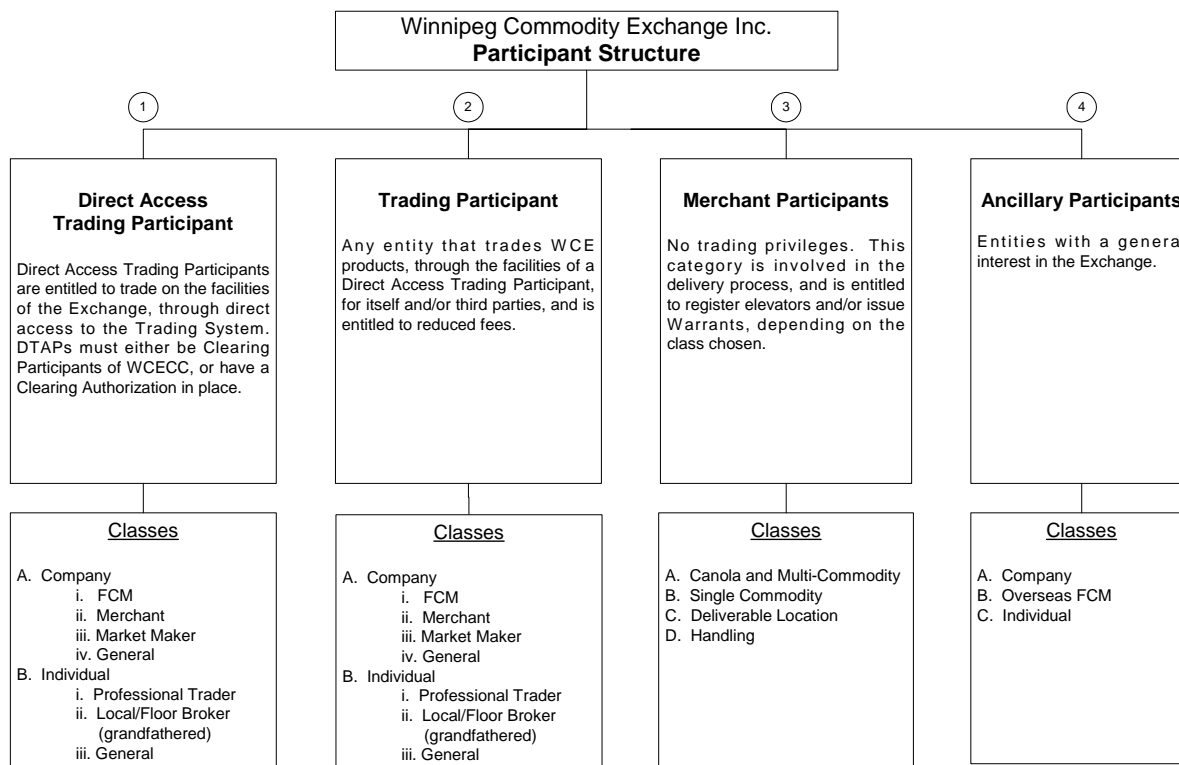
On the other hand, a Merchant Participant registered in the class of 'Deliverable Location Participant' is entitled to register an elevator out of which other merchants can make shipment but it cannot itself issue Warrants and make delivery. It has no financial reporting or financial standards to maintain as its role in the process is merely to facilitate the delivery of another registered Merchant Participant.

iv) Ancillary Participants are those entities with an interest in the Exchange. Many of these participants' interest is historical in nature; as an Exchange in existence since 1887 there are various entities who for reason of tradition (railway, small grain companies) or nostalgia (family member whose ancestors were involved in the exchange from the past century) maintain a connection. This category has no right to be involved in the delivery process and no right to receive reduced trading fees.

All prospective Participants complete application/agreements unique to their category of registration. In the application/agreements, all prospective participants contract to be bound by the Rules of the Exchange, by the requirements of *The Commodity Futures Trading Act (Manitoba)*, and by the rules and regulations of all self-regulatory organizations that they are required to be a member of under the Exchange's Rules or which they choose, independently of the Rules, to join. WCE is currently in the process of revising the application/agreements to allow for the changes to the Rules and to the participant category responsibilities relative to the change in the trading platform to electronic trading. It is intended that the new application/agreements will be completed by late September, which will allow for sufficient time to have all current participants and new prospective participants to complete and file same.

The Rules relating to applications from prospective new participants and the processes by which staff of the Exchange review and process those applications ensure that there is a transparent and fair process and that all prospective new participants that meet and are prepared to maintain the required minimum standard are afforded equal rights to participant status with the Exchange. In the event an application was rejected by staff there is an appeal to the Special Regulatory Committee which provides for a hearing (Rule 4D.04).

The following diagram outlines the Participant structure referenced above, which structure will take effect with the conversion to electronic trading.



NOTE: Entities may wish to, or be required to, register in more than one category

Rule 5 - Reserved

Rule 6 - Elevators

Elevators and the Delivery System

Rule 6 deals with Elevators, a vital component of the delivery processes at the Exchange.

All matters relating to the Delivery System are the sole responsibility of the Exchange. The Exchange, in addition to the Rules, prepares and publishes a lengthy and detailed Delivery Manual which is available to read and download on the website. The Delivery Manual is divided by contract and provides for a step-by-step description of the procedures and steps required for delivery and shipment.)

The delivery system has been set up by the Exchange with several layers of risk management processes. At this time, the only entities that can directly participate in making delivery (apart from Third Party Delivery processes which require the co-operation of a Merchant Participant) are those entities that meet the criteria for Merchant Participant status.¹² Merchant Participants must meet minimum financial standards, provide

¹² The category of Deliverable Location Participant, a class of Merchant Participant, is involved in the delivery process by providing elevators that other classes of Registered Merchants can make shipment from. However, the Deliverable Location Participant cannot initiate delivery, issue a Warrant or enter into Third Party Warrants with non-participants.)

September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to The Manitoba Securities Commission re: ETS conversion

information on cash bids and stocks in store and provide financial indemnification to the Exchange for all delivery commitments (by putting up Letters of Credit). Staff of both the marketing and accounting departments ensure, through a series of checks and balances that the rules are complied with. The standards set for the owners/operators of elevators involved in the delivery process at the exchange are stringent, because it is the obligation of the Exchange to ensure the integrity of its contracts and its delivery system and processes.

Merchant Participants are eligible to issue warrants and therefore play a vital role in the Exchange's delivery processes. A default by a Merchant Participant could have a devastating impact on the Exchange and the market participants. Accordingly, the Exchange continually assesses the operational and capital standards of Merchant Participants to ensure that the balance is struck between allowing adequate entry into the delivery process while also protecting the interests of the market as a whole.

With respect to operational standards, shipment requires uniformity of elevator functionality. Rule 6A.02 details the basic minimum standards required for elevator registration which include registration as Merchant in the appropriate class, having at least one "regular" for delivery elevators in each region, having the elevators accessible by both rail and truck, and being licensed with the Canadian Grain Commission.

Rule 6A.03 details additional requirements which include providing a statutory declaration as to the state of the facility, its operation or management if requested, providing and maintaining an office in Winnipeg to deal with the issuance of Warrants, providing the appropriate indemnification, maintaining insurance, (set out in Rule 6A.05) and providing, upon request, a detailed report to the Exchange on matters relative to the Canada Grains Act.

Elevators owners must, depending upon their category of registration, provide weekly reports to the Exchange including reports on stocks held and daily best bid information by delivery region.

Rule 6 also outlines the rules relative to Warrants. Warrants are the document which evidences the obligations of the Merchant Participant making delivery. Warrant misrepresentation is considered an extremely serious violation of the Exchange's rules and is subject to a penalty of up to 10% of the value of the underlying commodity, with a minimum penalty of \$100,000.

There are also provisions in Rule 6 for elevators to be audited by the exchange or an agency appointed by the Exchange in order for the Exchange to satisfy itself of any of the requirements of Rule 6.

Rule 7 - Capital Standards and Financial Reporting

Rule 7 details the financial reporting and capital standard requirements for Participants. Over the past few years the Risk Management Committee (the "RMC") has done a considerable review of the sufficiency of the financial requirements of all WCE Participants.

The RMC's position is that the two main objectives of an acceptable capital formula are:

- 1) to provide protection against insolvency due to liabilities exceeding the realizable value of assets (lack of equity); and
- 2) to ensure liquidity.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

1) Protection against Insolvency

The three basic risks which the RMC determined had to be provided for in order to protect against insolvency due to liabilities exceeding the realizable value of assets are:

- a) operating losses
- b) bad debt losses
- c) inventory losses

Operating Losses

These arise when normal operating expenses exceed total revenue. Historically, the revenue flow for the grain industry has not been level both within years and between years. Since many costs are difficult to reduce within years (office leases, equipment rentals, staff costs) and because the grain industry is capital intensive, the formula provides a cushion of capital which carries firms through these volatile periods.

Bad Debt Losses

Bad debt losses are always a possibility, especially in times of low prices and tighter margins. Merchants carry a significant receivable and a haircut of 2.5% is provided as a reasonable cushion in the event of a customer default.

Inventory Losses

Since significant amounts of inventory are involved, it is necessary for the formula to recognize the risk in market volatility. In a recent change, it was agreed that no haircut is necessary for Canadian Wheat Board inventories. While most Merchants have their grain inventory fully hedged, there are some crops that do not have corresponding futures markets and there can be changes in prices of other inventories such as fertilizer. As a result, a haircut of 8% has been deemed necessary.

2) Ensuring Liquidity

Although lack of liquidity and lack of equity are not the same, they can have the same result – bankruptcy. It is not uncommon for a business with financial statements reflecting substantial equity to be declared bankrupt because it was unable to meet its liabilities as they became due. In most cases, this failure results from the business acquiring assets which may have value on a going-concern basis but which cannot be readily converted to cash in order to discharge current obligations. Liquidity is important for merchant clearing members to ensure cash is available to meet clearing obligations. Liquidity is important for elevators authorized to issue warrants so that an elevator can meet its warrant obligations as shipment is requested.

There are two groups of participants that are required to report and to maintain financial standards under Rule 7: Merchant Participants (other than those registered in the class “Deliverable Locations Participants”) and all Clearing Participants. This goes back to the basic presumption that everything flows from the guarantee of the Clearing Participants who permit all other market participants to access the system and are responsible for all transactions traded by such entities. Accordingly, the financial status of the Clearing Participants is critical to the integrity of the business operations of the Exchange.

The requirements of Participants to meet financial standards are set out in Rule 7B.01 and are as follows:

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

- (1) Futures Commission Merchants;
 - (a) if registered in Canada, the financial standards of its designated SRO which shall be a member organization of the Canadian Investors Protection Fund;
 - (b) if registered in the United States, a member of a Designated Self-Regulatory Organization as that term is defined by the CFTC.
- (2) Merchant Participants; a financial position of at least \$2,000,000 of adjusted net capital and a net worth that exceeds the total capacity of all its elevators registered with the Exchange multiplied by \$50.00 per tonne;
- (3) All other companies required to file financial information; \$250,000 of adjusted net capital.

The “adjusted net capital” refers to a formula specific to Merchant Participants, details of which are set out in Rule 7B.01(b).

Participants required to file financial statements must provide them annually on an audited basis and quarterly on an un-audited basis. The statements must comply with the standards of GAAP.

The Exchange’s focus for reviewing financial data is with Merchant Participants, as much of the oversight for capital standard regulation of FCMs is provided by their SRO which is a member of CIPF.¹³ Merchant Participants are not required to be members of any other SRO and the Exchange is therefore solely responsible for their capital standard oversight. For this reason, there are detailed rules concerning the requirements on Merchants to maintain capital standards and to provide the Exchange with notice of any potential deficiency. Rule 7B.03 allows that in situations where a temporary deficiency is anticipated, the Participant can provide cash or Letters of Credit in an amount that must be equal, at all times, to the deficiency.

Further there is a provision for a Merchant Participant required to file financial statements to submit a written application to the Exchange requesting that part of its capital requirements be met through the provision of a postponement agreement which postpones the claims or demands of a partner, officer or shareholder in the Merchant Company, or provides a written guarantee from a parent company or other approved entity.

Rule 8 – Trading

Rule 8, Trading is significantly amended. It should be noted that wherever possible, the Exchange drafted its electronic trading rules to be consistent with the rules of the CBOT and the Kansas City Board of Trade. This was done to provide for continuity for trading participants (to ensure that there were as little differences as possible for them to have to deal with) and also because the electronic trading rules enacted by the CBOT and KCBT have both been approved by the CFTC and have obtained that regulator’s approval. However, where the system provided for options, the Exchange reviewed the nature of the WCE markets specifically to determine what rules would be most appropriate. The Board mandated an

¹³ Described in other sections of this application letter.
**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Electronic Trading Systems working group of 8 members from all groups of participants to review the options and determine the most appropriate options for the WCE markets.

The Rule is divided into four parts:

- General
- Trading System
- Non-Trading System Transactions and Processes
- Options

Part A – General

Details of the Contract Matters are set out in Rules 8A.01

Trading Hours for Trading System Transactions will be from 8:30 am until 9:29;59 a.m. for the pre-opening and 9:30 a.m. until 1:15 p.m. for the Trading session. During the Pre-open period, users of the system can submit, revise pull orders and create strategies. Only certain order types can be entered into the market for both outrights and strategies during this period, including Market on Open, Limit orders (including Good Till Cancelled orders but excluding orders with modifiers). As the system receives orders during the Pre-Open period, changes to the best buy/sell prices and volumes and to any other orders in the central order book are transmitted to users as and when they occur. The indicative opening prices and volumes are calculated by the system for each outright futures market and are transmitted at regular time periods.

The Open period is the main trading session, which will operate from 9:30 am until 1:15 pm. At this time users of the system may use any of the functionality, including submission, revision and pulling or orders, the receipt of settlement prices, and strategy creation and trading.

The Day end period follows immediately after the Close. All GTC orders are removed from the market and stored by the System until the next trading day. The Trading System will issue a message advising that the session has ended and thereafter log out all market participants still connected. The Trading System is then inaccessible to users until the next Pre-Opening session.

The e-cbot system supports various trading algorithms. The trading algorithm chosen is a pro-rata with a priority order, a volume cap and a minimum volume requirements, by contract, as follows:

<u>Contract</u>	<u>Outright Min.</u>	<u>Outright Max.</u>	<u>Spread Min.</u>	<u>Spread Max.</u>
Canola	5 contracts	100 contracts	5 contracts	200 contracts
Feed Wheat	5	25	5	50 contracts
Western Barley	5	25	5	50
Flaxseed	5	25	5	50

This trading algorithm is that utilized in Chicago for the agricultural markets and is most similar to that used currently on the floor.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Position Offsets and Adjustments are similar to the current rules, as are the requirements for corrections of trading errors.

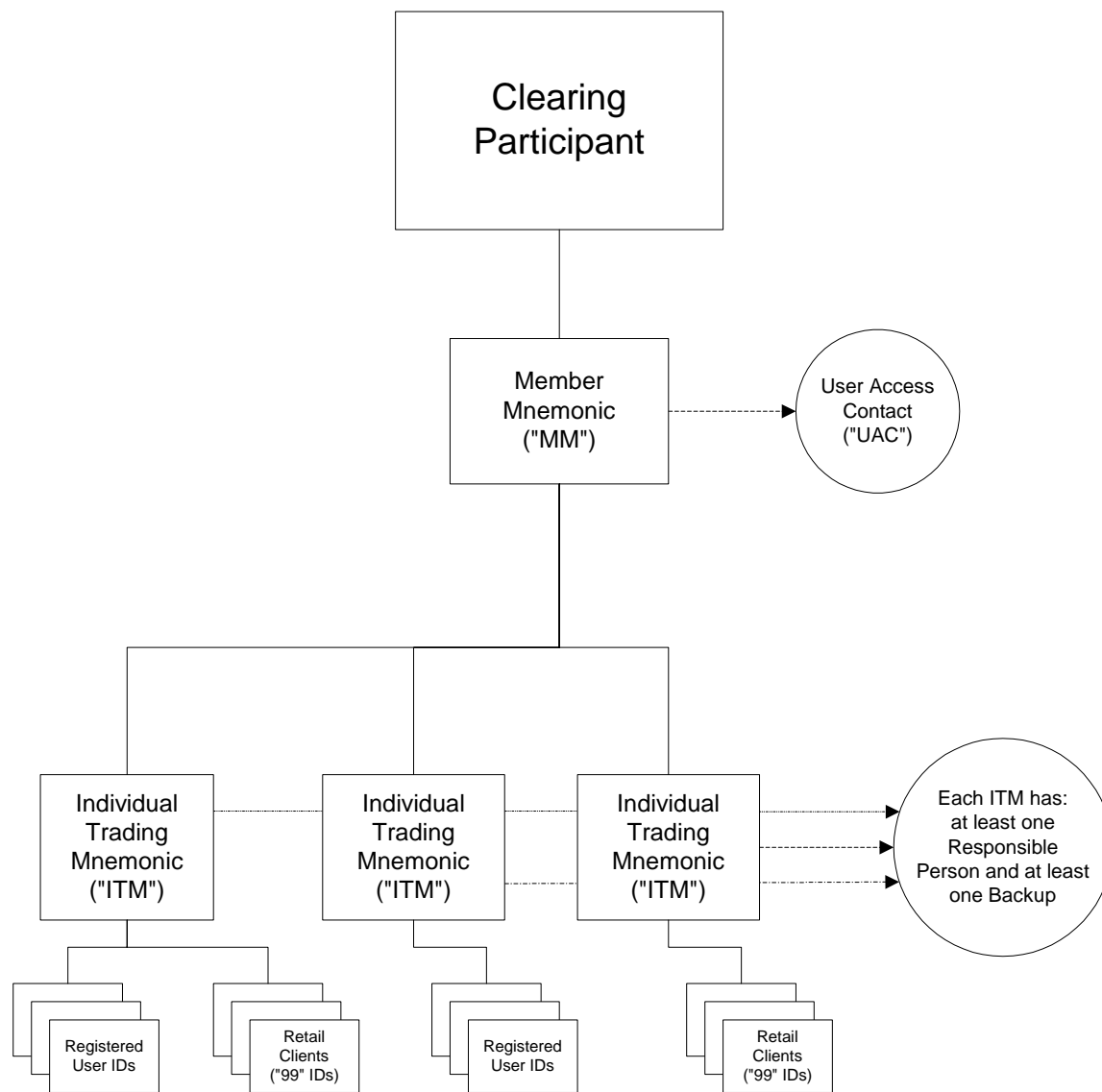
Rule 8 sets out certain trading requirements for users of the Trading System;

- a) Rule 8B.08 (a) Trading Against Customer orders is Prohibited. Users are not able to enter into a transaction which they take the opposite side of an order entered on behalf of a customer, unless the customer order has been entered immediately upon receipt and has first been exposed on the system for a minimum of 5 seconds for outright futures contracts and 15 seconds for strategies and options contracts.
- b) Rule 8B.08 (b) stipulates that opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered provided that one order is exposed on the system for a minimum of 5 seconds for outright futures contracts and a minimum of 15 seconds for strategies and options contracts.
- c) Pre-execution communications are prohibited. These are defined as communications between two market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the Trading System. Such communications are viewed as pre-arranged trading and are subject to disciplinary action.
- d) Rule 8B.10 requires users of the system to enter orders into the Trading System in the order in which they are received.
- e) Rule 8B.11 prohibits any misuse of the Trading System with examples outlined in the Rule.

Part B – The Trading System

The Trading System is a defined term. It is set out in Rules 1 as including “... **all facilities and services provided by the Exchange to permit trading, including, but not limited to, data, entry services, the e-cbot® system powered by LIFFE CONNECT® all other computer-based trading systems and programs and price quotations and other market information services and applies to the provision, use performance, maintenance or malfunction of the e-cbot electronic trading system.**”

At the core of how the rules operate is the Clearing Member (Clearing Participant). Every transaction (both through the Trading System and also all non-trading system transactions) must be connected to a Clearing Participant. Clearing Participants will authorize the Direct Access Trading Participants (and, in some cases Trading Participants) through use of a Clearing Authorization agreement, which will be filed with the Exchange. Clearing Authorizations must be approved by the Exchange prior to taking effect. The following chart outlines the basic system-based relationships.



The ITM and the Clearing Member Mnemonic are the two main key identification codes used to access the Electronic Trading System and to route matched trades to the correct clearing account.

A Clearing Member Mnemonic (CMM) is used to identify a WCE clearing participant. All Clearing Participants will be assigned a Clearing Member Mnemonic (CMM) by the Exchange. If a CBOT member becomes a Clearing Participant, they will use their existing CBOT CMM for WCE and will not require a new one.

A Clearing Participant must designate one or more User Access Contacts (UAC) for each entity that they have agreed to clear. UACs administer access to the trading system. Access to the Trading System is set out at Rule 8B.01.

September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to The Manitoba Securities Commission re: ETS conversion

User Access Contact (UAC) (Rule 8B.02)

The UAC is the individual responsible for assigning and administering ITMs (Individual Trader Mnemonics which are trading groups) and User IDs. Through the User Access Website, the UAC is required to register a Responsible Person and a backup Responsible Person with the Exchange for each ITM Key requested.

The UAC is required to have the ability to deactivate any ITM that they created at any time as directed by the exchange and/or Market Operations.

Member Mnemonic

The Member Mnemonic (MM), will in most cases be the same as the CMM. The only time the MM will be different will be for those WCE participants who have their own direct connection to e-cbot and are not Clearing Participants. In this case, a WCE participant may be assigned its own Member Mnemonic.

There is a one to one link between the MM and the CMM; each MM can have only one CMM. However, a CMM can have multiple MMs linked to it.

Individual Trader Mnemonic (Rule 8B.03)

The ITM is a not a code for an individual trader, but a code used to identify a “group” of traders to the Trading System. The ITM has an ITM KEY and password associated with it and this is used to access the Trading System.

The e-cbot users log into the Trading System through an Individual Trader Mnemonic (ITM) Key and password. Multiple ETS users may utilize the same ITM to access the Electronic Trading System. Since many users may share an ITM, WCE will rely on a User ID to identify the individual that entered a particular order. All WCE participants who will be trading on the ETS will be required to have a Registered User ID (assigned by the UAC) and to register that User ID with WCE. Retail clients who are not WCE participants are assigned a non-registered user id by the firm.

Responsible Person (Rule 8B.03)

The UAC must register a Responsible Person and at least one backup Responsible Person with the exchange for each Individual Trader Mnemonic (ITM).

The Responsible Person must be available by phone during all trading hours by the Exchange and Market Operations. The Responsible Person must have the authority to modify or withdraw any order or orders submitted under his ITM at the request of Market Operations and must have the ability to immediately identify the source of any order.

Failure of the Responsible Person to carry out his duties under the Rules can lead to suspension of the ITM and all trades under the ITM account.

Registered User ID (Rule 8B.05)

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

All WCE participants who will be using the Trading System will be required to have a Registered User ID (assigned by the UAC) and to register that User ID with WCE.

User ID (Non-Registered User ID) (Rule 8B.04)

Retail clients who are not WCE Participants, but who have a trading terminal and enter trades directly will be assigned a User ID by their FCM. This User ID does not have to be unique and does not have to be registered with the Exchange.

Account ID

The Account ID is assigned by the Trading Firm or FCM. It is the specific house account or individual client account that the trade will reside in within the firms back office system. Note, this is not the house account or clearing account at the clearing house (WCECC). The Account ID is used to identify the specific client of the firm.

All WCE participants must register their own Account ID's with WCE for trade identification and billing purposes. Any retail client that is not a WCE participant does not have their account ID registered with the WCE and will be billed the full non-participant exchange and clearing fees.

Rule 8B.08 sets out the orders that may be entered into the Trading Systems. Certified front ends (FCMs and ISVs) do not accept orders that do not conform to the Trading System's requirements.

Rule 8B.09 details the opening orders that are permitted during the pre-open period and describes how the Trading System will apply an uncrossing algorithm to calculate the price at which the maximum volume will be traded.

Rules 8B.13 and 8B.16 provide for situations where the Trading System is halted, suspended or where a user is terminated.

Details on the recording and reporting requirements are set out at rule 8B.17. All participants are required, by rule to have the appropriate back up systems available. Rule 8B.18 stipulates record retention must be for a minimum of seven years.

Part 8C – Non-Trading System Transactions

Part 8C deals with those transactions that are not processed through the Trading System and include Exchange for Physicals, Exchange for Risk, Negotiated Options, Option Exercise, Give-ups and Positions Transfers. These rules have not had any substantive changes to the current rules, other than as necessitated by reference to Member Mnemonics and similar.

Part 8D – Options

This section has not changed substantively from the current rules.

Error Trade Policy (Part of Rule 8)

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

The error trade policy is new and required for electronic trading systems. This policy is exactly the same as the CBOT's excepting details on the product specification. As noted in the policy itself, it is designed to preserve the integrity of the market by striking an appropriate balance between trade certainty and erroneous price discovery. WCE specifically authorizes the CBOT Market Operations to administer the Policy. WCE senior management will be available during all market hours to interpret the Error Trade Policy and decide whether or not to bust a trade. In the absence of an authorized representative of the WCE, the CBOT Market Operations is authorized, at their discretion, to interpret the Error Trade policy, to apply it in specific instances and to make final decisions as to whether or not to bust a trade. The Error Trade Policy provides that the CBOT and/or its employees are not subject to any WCE arbitration under WCE Rules and are not liable to the WCE or its participants for any claims related to the WCE Error Trade Policy. WCE has agreed to indemnify the CBOT for any claims asserted by any third parties against the CBOT relating to the WCE Error Trade Policy.

Rule 9 and 10 – Regulatory Division and Investigations and Hearing

There are no substantive changes to these rules. They are described in detail earlier in this letter.

Rule 11- Violations and Penalties

This rule has been amended to provide for violations to all aspects of the Trading System and use of same. All provisions dealing with the trading pits have been removed. There is no longer the concept of misdemeanour offences.

Rule 12 – Speculative Position Limits

There are no substantive changes to this rule.

Rule 13 - Arbitration and Expedited Arbitration

There are not substantive changes to this rule.

Trade Rules 14, 15, 16, and 20

There are no substantive changes to the trade rules.

Rule 22- Default Rules

There are no substantive changes to this rule.

Rule 25 – Schedule of Fees

This rule has been amended substantially to provide for the new categories and classes of participants and the new procedures for trading. This rule has been approved by the Board.

6. Certification of Material Facts and Agreement to continue to Update Information

I hereby certify that all the material facts set forth in this letter seeking non-disapproval are true and complete to the best of my knowledge and that I undertake to promptly inform the Commission, in writing, if any of the facts or representations in this application cease to be true and complete.

WCE looks forward to receiving your comments and would be pleased to provide you with any further information you require or to meet with you at your convenience. Thank you.

**September 15, 2004 letter from Winnipeg Commodity Exchange Inc. to
The Manitoba Securities Commission re: ETS conversion**

Yours truly,

M. J. Gagné
President and CEO

Enclosures

ANNEXURES

TABLE OF CONTENTS

1.	Reserved
2.	Reserved
3.	Reserved
4.A	Electronic Trading and Order Routing Systems Disclosure Statement
5.	Reserved
6.A	Canola Elevator Application for Registration as “Regular” or “Non-Regular”
6.B	Feed Wheat Elevator Application for Registration as “Regular”
6.C	Flaxseed Elevator Application for Registration as “Regular”
6.D	Statutory Declaration – Lessee of an Elevator
6.E	Corporate Authorizing Resolution for Warrant Signatories
6.F	Request to Register Handling Agreement
6.G	Confirmation of Shipment Form
6.H	General Directions to Staff Respecting an Audit of Elevator(s)
7.A	Financial Questionnaire and Report Form
7.B	Letter of Credit for WCE re Warrants
7.C	List of Approved Financial Institutions
8.A	Reporting Agreement for EFR Transactions
8.B	Negotiated Options Form
8.C	The Code of Conduct
9	Reserved
10.A	Originating Notice
10.B	Reply
10.C	Notice of Hearing
10.D	Offer of Settlement
10.E	Notice of Appeal
11.A	Harassment Policy
11.B	Use of Internet and Electronic Communication Devices Policy
12	Reserved
13.A	Notice of Arbitration
14.A	Feed Wheat Warrant (Issuer-Owned)
14.B	Feed Wheat Warrant (Third Party Delivery)
14.C	Feed Wheat Delivery Certificate
15.A	Canola Warrant (Issuer-Owned)
15.B	Canola Warrant (Third Party Delivery)
15.C	Canola Delivery Certificate
15.D	Statement of Canola DDCs and Sales
15.E	Canola Warrant (Issuer-Owned), Applicable November 1, 2005 and Onward
16.A	Flaxseed Warrant (Issuer-Owned)
16.B	Flaxseed Warrant (Third Party Delivery)
16.C	Flaxseed Delivery Certificate
16.D	Statement of Flaxseed DDCs and Sales
17	Statement of Cash Positions Against WCE Futures
20.A	Western Barley Warrant (Issuer-Owned)
20.B	Western Barley Warrant (Third Party Delivery)
20.C	Western Barley Delivery Certificate
20.D	Delivery Regions and Non-Par Price Differentials – Western Barley
20.E	Application for Authorization to Issue Warrants – Western Barley

ELECTRONIC TRADING AND ORDER ROUTING SYSTEMS DISCLOSURE STATEMENT*

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts you intend to trade.

DIFFERENCES AMONG ELECTRONIC TRADING SYSTEMS

Trading or routing orders through electronic systems varies widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

RISKS ASSOCIATED WITH SYSTEM FAILURE

Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

SIMULTANEOUS OPEN OUTCRY PIT AND ELECTRONIC TRADING

Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours. You should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

LIMITATION OF LIABILITY

Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of FCMs, and software and communication system vendors and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchange(s) in order to understand these liability limitations.

*Each exchange's relevant rules are available upon request from the industry professional with whom you have an account. Some exchanges' relevant rules also are available on the internet home page.

**ELEVATOR APPLICATION FOR REGISTRATION
AS "REGULAR" OR "NON-REGULAR"
FOR THE CANOLA FUTURES CONTRACT**

Application is hereby made for registration as "regular"/"non-regular" elevator(s) as listed on the attached form in accordance with the By-law and Rules of Winnipeg Commodity Exchange Inc. ("WCE" or "the Exchange") for delivery of Canola Futures Contracts.

Upon the acceptance for Registration by the Exchange, notwithstanding anything contained in the By-law and Rules of the Exchange regarding reporting requirements, payment of fees or other requirements, the Merchant Participant (called the "Merchant") hereby agrees to continue operations as "regular"/"non-regular" until notified, in writing by the Exchange, that it is entitled to cease operations.

Conditions of Registration

In filing this Application the Merchant agrees to comply fully and completely with the following conditions. The Merchant further acknowledges that any breach of the following conditions may result in the immediate cancellation of registration by the Exchange, and result in monetary and/or other damages being assessed against it, all in accordance with the By-law and Rules.

1. The Merchant must:
 - a. give such forms of indemnification to the Exchange as may be required from time to time;
 - b. notify the Exchange immediately of any material change in the state of the elevator(s), or its operations, or the conditions, or management of the business; and
 - c. comply strictly with all applicable By-laws and Rules of the Exchange.
2. All elevators are subject to audits of stocks and operations by the Exchange and/or its designated agents. No advance notice of any kind is required to be provided prior to an audit. Failure to cooperate fully and completely with the audit procedure can result in cancellation of registration and fines and penalties being assessed against the elevator owner/operator as set out in the Rules.
3. The Merchant shall be and must continue to be a company registered as a Merchant Participant with the Exchange.
4. Elevators registered as "regular" shall;
 - a. be connected by railroad tracks with one or more railway lines rated to carry not less than 263,000 lbs. (car and contents), appropriate to its location and purpose;
 - b. be equipped with facilities for receiving grain by truck and for shipping grain by truck and by rail;
 - c. have the facility for spotting ten (10) hopper cars (full car spot);
 - d. be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of grain in bulk;
 - e. if at a port, be equipped with direct facilities for shipment by vessel; and
 - f. be licensed by the Canadian Grain Commission, as a terminal, transfer, primary or process elevator.
5. Elevators registered as "non-regular" shall;
 - a. be connected by railroad tracks with one or more railway lines appropriate to its location and purpose;

- b. be equipped with facilities for receiving grain by truck and for shipping grain by truck and by rail;
 - c. be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of grain in bulk;
 - d. be licensed by the Canadian Grain Commission, as a primary or process elevator.
6. A Merchant registering a "non-regular" elevator must have at least one (1) "regular" elevator registered.
7. The Merchant expressly agrees:
- a. that all Warrants, as issued by the Merchant and tendered in satisfaction of futures contracts, shall represent actual stocks of priced and/or unpriced grains or oilseeds, controlled by the Merchant and located "in-store" the "regular"/"non-regular" elevator registered with WCE for delivery;
 - b. that all Warrants will be registered with WCE;
 - c. to fulfill the duties and obligations of a "regular"/"non-regular" elevator as set forth in the By-law and Rules of the Exchange;
 - d. to abide by the By-law and Rules of the Exchange applicable to the issuance of Warrants, loading and shipment of the physical commodity;
 - e. that the Exchange may cancel said Registration, if granted, for any breach of said agreements or any breach of the By-law or Rules of the Exchange;
 - f. that the signing of the Application constitutes a representation that the conditions stipulated are currently being complied with and will continue to be strictly complied with;
 - g. to be subject to the Exchange's By-law and Rules pertaining to arbitration and disciplinary procedures; and to abide by and perform any disciplinary decision imposed upon it or any arbitration award issued against it pursuant to such By-law and Rules;
 - h. to consent to the disciplinary jurisdiction of the Exchange for five (5) years after registration ceases for conduct pertaining to registration which occurred when the elevator was registered;
 - i. to provide the Exchange with "in-store" stock information as set out in the Rules;
 - j. to provide the Exchange with cash bid prices as set out in the Rules; and
 - k. to provide the Exchange with any other information as may be required by the Risk Management Committee from time to time.

Dated at _____ this _____ day of _____, _____.

 (Merchant Participant)

Per: _____
 Authorized Signatory

 (Name and Title of Authorized Signatory)

ELEVATOR APPLICATION FOR REGISTRATION AS "REGULAR" FOR THE FEED WHEAT FUTURES CONTRACT

Application is hereby made for registration as "regular" elevator(s) as listed on the attached form in accordance with the By-law and Rules of Winnipeg Commodity Exchange Inc. ("WCE" or "the Exchange") for delivery of Feed Wheat Futures Contracts.

Upon the acceptance for registration by the Exchange notwithstanding anything contained in the By-law and Rules of the Exchange regarding reporting requirements, payment of fees or other requirements, the Merchant Participant (called the "Merchant") hereby agrees to continue operations as "regular" until notified, in writing by the Exchange, that it is entitled to cease operations.

Conditions of Registration

In filing this Application the Merchant agrees to comply fully and completely with the following conditions. The Merchant further acknowledges that any breach of the following conditions could result in an immediate cancellation of registration by the Exchange, and result in monetary and/or other damages being assessed against it, all in accordance with the By-law and Rules.

1. The Merchant must:
 - a. give such forms of indemnification to the Exchange as may be required from time to time;
 - b. notify the Exchange immediately of any material change in the state of the elevator, or its operations, or the conditions, or management of the business; and
 - c. comply strictly with all applicable By-laws and Rules of the Exchange.
2. All elevators are subject to audits of stocks and operations by the Exchange and/or its designated agents.
3. The Merchant shall be and must continue to be a company registered as a Merchant Participant with the Exchange.
4. Elevators registered as "regular" must:
 - a. be connected by railroad tracks with one or more railway lines rated to carry not less than 263,000 lbs. (car and contents), appropriate to its location and purpose;
 - b. be equipped with facilities for receiving grain by truck and for shipping grain by truck and by rail;
 - c. have the facility for spotting ten (10) hopper cars (full car spot);
 - d. be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of grain in bulk; and
 - e. be licensed by the Canadian Grain Commission as a terminal, primary, or process elevator.

5. The Merchant expressly agrees:

- a. that all Warrants, as issued by the Merchant and tendered in satisfaction of feed wheat futures contracts, shall include, in part, a commitment to load-out feed wheat from a nominated facility registered as "regular" in the region(s) specified on such Warrant(s) when called for by the Delivery Certificate holder.
- b. that all Warrants will be registered with the Exchange;
- c. to fulfill the duties and obligations of a "regular" elevator as set forth in the By-law and Rules of the Exchange;
- d. to abide by the By-law and Rules of the Exchange applicable to the issuance of Warrants, loading and shipment of the physical commodity;
- e. that the signing of this Application constitutes a representation that the conditions stipulated are currently being complied with and will continue to be strictly complied with;
- f. to be subject to the Exchange's By-law and Rules pertaining to arbitration and disciplinary procedures; and to abide by and perform any disciplinary decision imposed upon it or any arbitration award issued against it pursuant to such By-law and Rules;
- g. to consent to the disciplinary jurisdiction of the Exchange for five (5) years after registration ceases for conduct pertaining to registration which occurred when the elevator was registered;
- h. to provide the Exchange with stock information at such time and in such manner as the Risk Management Committee may determine;
- i. to provide the Exchange with cash bid prices as set out in the Rules; and
- j. to provide the Exchange with any other information as may be required by the Risk Management Committee from time to time.

In filing this Application the Merchant Participant hereby agrees to be bound by the above.

Dated at _____ this _____ day of _____, _____.

(Merchant Participant)

Per: _____
(Authorized Signatory)

(Name and title of Authorized Signatory)

ELEVATOR APPLICATION FOR REGISTRATION AS "REGULAR" OR "NON-REGULAR" FOR THE FLAXSEED FUTURES CONTRACT

Application is hereby made for registration as "regular"/"non-regular" elevator(s) as listed on the attached form in accordance with the By-law and Rules of Winnipeg Commodity Exchange Inc. ("WCE" or "the Exchange") for delivery of Flaxseed Futures Contracts.

Upon the acceptance for registration by the Exchange notwithstanding anything contained in the By-law and Rules of the Exchange regarding reporting requirements, payment of fees or other requirements, the Merchant Participant (called the "Merchant") hereby agrees to continue operations as "regular"/"non-regular" until notified, in writing by the Exchange, that it is entitled to cease operations.

Conditions of Registration

In filing this Application the Merchant agrees to comply fully and completely with the following conditions. The Merchant further acknowledges that any breach of the following conditions could result in an immediate cancellation of registration by the Exchange, and result in monetary and/or other damages being assessed against it, all in accordance with the By-law and Rules.

1. The Merchant must:
 - a. give such forms of indemnification to the Exchange as may be required from time to time;
 - b. notify the Exchange immediately of any material change in the state of the elevator(s), or its operation, condition, or management of the business; and
 - c. comply strictly with all applicable By-laws and Rules of the Exchange.
2. All elevators are subject to audits of stocks and operations by the Exchange and/or its designated agents. No advance notice of any kind is required to be provided prior to an audit. Failure to cooperate fully and completely with the audit procedure can result in cancellation of registration and fines and penalties being assessed against the elevator owner/operator as set out in the Rules.
3. The Merchant shall be and must continue to be a company registered as a Merchant Participant with the Exchange.
4. Elevators registered as "regular" must;
 - a. be connected by railroad tracks with one or more railway lines rated to carry not less than 263,000 lbs. (car and contents), appropriate to its location and purpose; and
 - b. be equipped with facilities for receiving grain by truck and for shipping grain by truck and by rail; or, if at a port, be equipped with direct facilities for shipment by vessel; and
 - c. have the facility for spotting ten (10) hopper cars (full car spot); and
 - d. be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of grain in bulk; and
 - e. be licensed by the Canadian Grain Commission as a terminal, transfer, primary, or process elevator.
5. Elevators registered as "non-regular" shall;

- a. be connected by railroad tracks with one or more railway lines appropriate to its location and purpose;
 - b. be equipped with facilities for receiving grain by truck and for shipping grain by truck and by rail;
 - c. be furnished with suitable improvements and appliances for convenient and expeditious receiving, handling and shipping of grain in bulk;
 - d. be licensed by the Canadian Grain Commission, as a primary or process elevator.
6. A Merchant registering a "non-regular" elevator must have at least one (1) "regular" elevator registered.
7. The Merchant expressly agrees:
- a. that at all times while Warrants are outstanding, it will have ownership of no less than 75% of the flaxseed represented on all of its outstanding Warrants, whereby the owned product is free and clear of all encumbrances, controlled by the Merchant and located "in-store" the "regular/non-regular" elevator registered with the Exchange for delivery.
 - b. that, if it chooses to issue Warrants where it owns less than 100% of the flaxseed represented on all of its outstanding Warrants, it will abide by the additional requirements set out in the Flaxseed Warrant.
 - c. that all Warrants will be registered with the Exchange;
 - d. to fulfill the duties and obligations of a "regular"/"non-regular" elevator as set forth in the By-law and Rules of the Exchange;
 - e. to abide by the By-law and Rules of the Exchange applicable to the issuance of Warrants, loading and shipment of the physical commodity;
 - f. that the signing of this Application constitutes a representation that the conditions stipulated are currently being complied with and will continue to be strictly complied with;
 - g. to be subject to the Exchange's By-law and Rules pertaining to arbitration and disciplinary procedures; and to abide by and perform any disciplinary decision imposed upon it or any arbitration award issued against it pursuant to such By-law and Rules;
 - h. to consent to the disciplinary jurisdiction of the Exchange for five (5) years after registration ceases for conduct pertaining to registration which occurred when the elevator was registered;
 - i. to provide the Exchange with stock information at such time and in such manner as the Risk Management Committee may determine;
 - j. to provide the Exchange with cash bid prices as set out in the Rules; and
 - k. to provide the Exchange with any other information as may be required by the Risk Management Committee from time to time.

In filing this Application the Merchant Participant hereby agrees to be bound by the above.

Dated at _____ this _____ day of _____, _____.

 (Merchant Participant)

Per: _____
 (Authorized Signatory)

 (Name and title of Authorized Signatory)

STATUTORY DECLARATION

CANADA)
 PROVINCE OF MANITOBA)
 TO WIT:) IN THE MATTER of an Application for Registration of an elevator
 for delivery against futures contracts pursuant to the By-Laws,
 and Rules of the Winnipeg Commodity Exchange Inc. (WCE)

I, _____ of the _____
 (city, town, etc.)
 in the _____ of _____ do solemnly declare that:
 (province, county, etc.)

1. I am an officer and/or authorized signatory of _____ (herein the "Merchant Participant") and I have signed the Merchant Participant's elevator registration application (herein the "Application") for registration of the facility located at _____. The facility is leased from _____ (full legal name) and the lease agreement expires on _____ (date).
2. On behalf of the Merchant Participant, I hereby confirm and certify that:
 - The Merchant Participant agrees to be and by this declaration is, bound by and shall comply with all of the provisions of the WCE's By-Laws and Rules as they relate to "registered" elevators to the same extent as if the Merchant Participant owned and controlled such elevator;
 - An agreement between the owner of the elevator and the Merchant Participant, sufficient to allow the Merchant Participant to control, operate and use the elevator facility for all purposes required of "registered" elevators pursuant to the provisions of the By-Laws and Rules of the Exchange, as they relate to futures contracts, has been entered into by way of;
 - a lease and service agreement, wherein the Merchant Participant does not control the elevation, handling or operational aspects of the elevator, OR;
 - a lease agreement whereby the Merchant Participant controls the elevation, handling and all other operational aspects of the elevator.
 - The Merchant Participant shall fully comply with the obligations of an 'operator' pursuant to the provisions of the By-Laws and Rules of the Exchange, as it relates to futures contracts;
 - The elevator, the subject matter of the Application,;
 - is registered by the Canadian Grain Commission as a 'primary', 'process' or 'terminal' elevator and attached to this declaration is evidence of such registration, OR;
 - is in the process of being registered by the Canadian Grain Commission as a 'primary', 'process' or 'terminal' elevator and attached to this declaration is evidence of such application for registration; or
 - is registered or in the process of being registered by an acceptable regulatory authority in the United States _____
 (provide full names and address of the regulatory authority that the elevator is registered with)
 - The Merchant Participant acknowledges that any misrepresentation under this declaration or failure to adhere to any of the undertakings under this declaration, shall constitute a violation of the By-laws and Rules of the Exchange;
 - The Merchant Participant meets and shall continue to meet, the capital requirements for "registered" elevators, pursuant to the Exchange's Rules;
 - The Merchant Participant agrees to undertake and to provide such indemnification to and in favour of the Exchange as is required under the By-laws and Rules.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and virtue of The Canada Evidence Act.

DECLARED before me at:

the _____ of _____)
(City)

in the _____ of _____)
(Province)

this _____ day of _____, -- ____

_____ on behalf of the Merchant Participant
(signature of deponent)

(a Commissioner for Oaths, or Notary Public)

Authorizing Resolution for Winnipeg Commodity Exchange Inc.

RESOLUTION OF THE DIRECTORS OF

_____ (the "Corporation")
(type the full, correct, legal name of the company)

WHEREAS the Corporation is a Merchant Participant with Winnipeg Commodity Exchange Inc. and as such is entitled to issue warrants as part of the delivery process of the futures contracts traded on the Exchange;
AND WHEREAS, issuing warrants requires the execution of a document (the "Warrant") by an employee of the Corporation;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Corporation hereby authorizes the following officers, directors and/or employees to execute Warrants for and in the name of and on behalf of the Corporation and agrees to be bound by the signatures of such persons on any and all Warrants as if same were sealed with the corporate seal of the Corporation;
(type name and position of all individuals)

2. The Corporate Secretary of the Corporation is authorized to complete and attest to the signatures of the aforementioned persons on the attached form.

The undersigned, _____, being the of _____ (the "Corporation") hereby certifies that the foregoing is a true and correct copy of the resolutions passed by the Board of Directors of the Corporation at a meeting duly called and held on _____, 20 _____ at which a quorum was present and acting throughout, and that such resolution remains in full force and effect, unchanged.

Dated the _____ day of _____, 20 _____ .

(Signature)

(Name – Please Print)

(Title)

{note: place on the letterhead of the corporation}

To: Winnipeg Commodity Exchange Inc.
400-360 Main Street
Winnipeg, MB, R3C 3Z4

Re: _____ (herein the "Corporation")
(type full correct legal name of company)

The undersigned, in his/her capacity as the Secretary of the Corporation, certifies that each one of the following persons is duly authorized as a person entitled to execute warrants for Winnipeg Commodity Exchange Inc..

Name and Office

Signature

1. _____ _____	_____
2. _____ _____	_____
3. _____ _____	_____
4. _____ _____	_____

Dated as of this _____ day of _____, 20____.

The undersigned certifies that he/she is the Secretary of the Corporation and that the signatures appearing above are the true and lawful signatures of the persons identified above.

Dated as of this _____ day of _____, 20____.

Signature of Secretary of Corporation

(type full legal name of Secretary)

Request to Register Handling Agreement

The undersigned participants:

1. _____ (the "Merchant")
(type full legal name of Merchant Participant to be issuing warrants)
2. _____
(participant status)
3. _____
(type name, phone number and e-mail address of authorized rep)

- and -

1. _____
(the "Deliverable Location Participant")

(type full legal name of participant who will be providing the elevator facilities for shipping;
Note that the rules permit a participant registered as either a Deliverable Location
Participant or a Merchant Participant with elevators registered for flaxseed and/or feed
wheat to provide such elevator facilities)
2. _____
(participant status)
3. _____
(type name, phone number and e-mail address of authorized rep)

hereby provide the following representations and request that WCE provide approval of registration of the Handling Agreement which they have entered into to allow the Merchant to nominate points for shipment from one or more of the facilities which have been registered by the Deliverable Location Participant as regular for delivery.

The Merchant and the Deliverable Location Participant hereby acknowledge, certify and represent that:

1. We have entered into a written agreement that provides for the Merchant, in fulfillment of warrant obligations, to nominate points and ship product from elevators registered by the Deliverable Location Participant as regular for delivery against one or more futures contracts.

2. Particulars of the written agreement we have entered into are as follows:

a) Details of the registered elevators are as follows: (list all elevators)

b) commodity or commodities _____

c) Total tonnes permitted, by commodity:

commodity	tonnes
_____	_____

d) **We understand and agree that if registered the Handling Agreement cannot be terminated or revoked until the Exchange has received a written notice of same 90 days in advance of the proposed termination date, unless such proposed termination date falls on spot month through the end of a delivery month, in which case the date of termination date will be the first business day after the delivery month.**

e) The total tonnes that the Deliverable Location Participant has provided, under all Handling Agreements to date, inclusive of this one, is _____ tonnes.

f) Other relevant details of the written Handling Agreement we have entered into are as follows:

(list any relevant details. If you require additional space, attach a schedule that is initialed by both parties)

3. We understanding that WCE may ask to be provided with a true copy of the Handling Agreement and agree to provide a copy within 1 business day of a request.

4. We understand that it is the obligation of both parties to adhere to all of the requirements of the WCE Rules and that failure to adhere strictly to the WCE Rules may result in disciplinary action.

5. The Merchant understands and acknowledges that, notwithstanding anything set out elsewhere, it bears the ultimate responsibility with respect to fulfillment of all conditions of all warrants issued by it, including all shipment requirements under WCE Rules.

Dated this _____ day of _____, 20 _____.

(type legal name of Merchant)

(type legal name of Deliverable Location Participant)

Per: _____

Per: _____

Per: _____

Per: _____

Registered this _____ day of _____, 20 _____.

Winnipeg Commodity Exchange Inc.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

Note: The Merchant Participant may not nominate points for shipment in facilities owned and operated by the Deliverable Location Participant until this document has been accepted and registered by WCE Inc. and a true copy of this document, signed by the authorized signatory for Winnipeg Commodity Exchange Inc. provided to each party.

Winnipeg Commodity Exchange Inc.
CONFIRMATION OF SHIPMENT

Shipping ID Number _____

This confirmation must be received by WCE within 3 days of completion of shipment. See applicable rule for shipping requirements. In the case of extensions permitted under WCE rules, confirmation must still be made by the deadline on partial shipments completed.

NOTE: All shipments to be made in strict adherence to WCE rules and contract specifications.

Warrant Issuer: _____ Buyer: _____

Commodity: _____ Region: _____ Grade: _____

Shipping Weights and Grades

Unload Weights and Grades

(Complete only for shipment to terminal elevators)

Shipment Date	Location	RailCar/Truck Number /Vessel

Gross Weight	Dockage MT	Net Weight
TOTALS		

Grade	Gross Weight	Dockage MT	Net Weight
TOTALS			

WARRANT ISSUER: _____
 (Please print name of authorized signature)

BUYER: _____
 (Please print name of authorized signature)

 (Authorized Signature) Date: _____

 (Authorized Signature) Date: _____

This form must be signed and sent to: Winnipeg Commodity Exchange Inc., 400 – 360 Main Street, Winnipeg, Manitoba, R3C 3Z4 - OR - Fax (204) 943-5448 ▪ Attention: Accounting

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 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 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 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 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. Both the company and staff of the Regulatory Division will be required to address the Special Regulatory Committee whose decision on the matter shall be final. The company must provide a letter to the WCE, Attention: Regulatory Division, within 8 business hours of receiving notice that an audit will be performed if they intend to seek a hearing before the Special Regulatory Committee.

Winnipeg Commodity Exchange Inc.
Financial Questionnaire and Report Form (Pursuant to Rule 7)
(To be completed and submitted by Merchant Participants with all financial statement filings)

	(Company Name)	ANSWER
1)	Do the financial statements present fairly the financial position of the company as at _____ and the results of its operations and the changes in its financial position in accordance with Canadian generally accepted accounting principles?	_____
2)	Were the financial statements attached hereto prepared from the books of the company that you believe to be complete, true and correct as at the date thereof? If you answered "NO" to question(s) 1 or 2 please explain.	_____
(if space insufficient please attach schedule)		
3)	Do the attached financial statements fully disclose all assets and liabilities including the following:	
a)	A provision for income tax	_____
b)	Other contingent liabilities, guarantees or commitments affecting the financial position of the firm?	_____
c)	Portion of long term debt falling due within one year from the date of the financial statements as current?	_____
d)	Adequate provision for accounts receivable which may be doubtful of collection in the ordinary course of business?	_____
e)	Market value for marketable securities?	_____
f)	Open futures positions and options adjusted to closing market prices and any valuation differences so arising have been properly reflected in the accounts?	_____
If you answered "NO" to any parts(s) of question 3 please explain.		
(if space insufficient please attach schedule)		
4)	Are there any charges against the company or any litigation pending? If you answered "YES" to question 4 or 5 please explain.	_____
5)	Is there any indication or expectation that the adjusted net capital will fall below the minimum required during the next three months?	_____
(if space insufficient please attach schedule)		

We, as authorized officers of the corporation, certify that the above information is true and correct to the best of our knowledge.

Name and Title (please print)

Signature

Date

Name and Title (please print)

Signature

Date

LETTER OF CREDIT FOR WCE

Letter of Credit No.: (Number)

Applicant:
(Name of Company)
(Address)

Beneficiary:
Winnipeg Commodity Exchange Inc.
400 Commodity Exchange Tower
360 Main Street
Winnipeg, Manitoba
R3C 3Z4

Amount: CAD \$X.00
(X and 00/100 Canadian Dollars)

Date of Expiry: (Date)

At the request of our customer, the above mentioned applicant ("Applicant"), we, (name of bank) ("Bank"), (address) ("Branch Address"), hereby issue in your favour our irrevocable standby letter of credit for an amount up to but not exceeding CAD \$X.00 (X and 00/100 Canadian dollars).

This standby letter of credit is issued pursuant to the requirements of Winnipeg Commodity Exchange Inc., in respect to delivery and shipment of grain pursuant to issued and outstanding warrants, issued and deposited with the Exchange, or its designated agent.

Payment under this standby letter of credit shall be made on or before the above noted expiry date ("Expiry Date") upon your presenting at our counters at the Branch Address, the following documents:

1. The original of this standby letter of credit.
2. Your written demand for payment. The said demand shall refer to this standby letter of credit no. (number), shall state the amount being demanded and shall certify that the said amount is due and payable to you by the Applicant.

Upon receipt by the Bank, at the Branch Address, of the said demand and the other document referred to above on or before the Expiry Date, we shall, within two hours, advise you of our intent to honour or dishonour the obligation to pay the amount stated in the said demand and make payment before 3:00 p.m. CT the business day following demand for payment, without enquiring whether you have a right to such amount, and without recognizing any claim of the Applicant, provided that such amount does not exceed the amount of this standby letter of credit.

(Optional) It is a condition of this letter of credit that it shall be deemed to be automatically extended without amendment for one year from the present or any future expiration date hereof, unless at least thirty (30) days prior to any such date we shall notify you in writing by registered mail or courier that we elect not to consider this letter of credit renewed for any such additional period.

This undertaking is issued subject to the International Standby Practices Rules ISP 1998 and engages us in accordance with the terms thereof, except where the provisions of this undertaking are inconsistent therewith, in which event the provisions of this undertaking shall prevail.

(Where appropriate) Upon written confirmation from Winnipeg Commodity Exchange Inc. to the Bank that this Letter of Credit is acceptable, this Letter of Credit will replace and cancel Letter of Credit No. xxx.

Any reference herein to an underlying commercial contract is strictly for identification purposes only.

FOR (NAME OF BANK)

Authorized Signature

Authorized Signature

LIST OF APPROVED FINANCIAL INSTITUTIONS

Alberta Treasury Branches
Bank of Montreal
Bank of Nova Scotia
Barclays Bank of Canada
Canadian Imperial Bank of Commerce
HSBC Canada
Laurentian Bank of Canada
National Bank of Canada
Royal Bank of Canada
Toronto Dominion Bank

PART A

REPORTING AGREEMENT for EFR Transactions

The undersigned, _____ (type full legal name) being a Clearing Participant with WCE Clearing Corporation (WCECC), in consideration for Winnipeg Commodity Exchange Inc. (WCE) facilitating an Exchange for Risk for it or its client, agrees as follows:

1. To provide full particulars of its client(s) to any and all EFR transactions, including the full legal name, address and contact information (trader name, phone number, fax number, e-mail address, etc), as soon as possible, and in any event no later than 12:00 noon CT two (2) business days after the clearing of an EFR transaction;
2. If the client(s) is an omnibus account, to provide the full legal name, address and contact information (trader name, phone number, fax number, e-mail address, etc) for the client and ensure that the said client has completed part B of this reporting agreement and submitted same to the WCE Regulatory Division.

Dated this _____ day of _____, 20____ in the city of _____ in

The Province (State) of _____.

Print full legal name of Clearing Participant

Print name of authorized signatory

Signature of authorized signatory

This form should be faxed to WCE Regulatory Division at **(204) 925-5010**, or sent by regular mail to:

WCE Regulatory Division
400 – 360 Main Street
Winnipeg, MB
R3C 3Z4

PART B

REPORTING AGREEMENT for EFR Transactions

The undersigned, _____ (type full legal name) being a _____ (type out status of market participant, foreign FCM, etc.), in consideration for Winnipeg Commodity Exchange Inc. (WCE) facilitating an Exchange for Risk for it or for its client, agrees as follows:

1. That if it is an omnibus Futures Commission Merchant (“OFCM”) clearing trades through a Clearing Participant of WCECC, it will provide the Regulatory Division of WCE the full legal name of all its clients that submit EFRs for execution on WCE, together with contact information (individual name, phone number, fax number and e-mail address), as soon as possible, and in any event no later than 12:00 noon CT two (2) business days after the clearing of an EFR.
2. In the case where its client is also an omnibus futures commission merchant, it has ensured that its client has completed this agreement and provided an original of it to the Regulatory Division of WCE prior to facilitating any EFR transactions for the said client.
3. That it is aware of WCE Rule 10D.05 (a) which reads:

For the purposes of any inspection or investigation, the Regulatory Division may obtain Documents and Records and/or information from any source whatsoever, including from any Participant or Market Participant, or their customers.

And that it acknowledges the said Rule and the fact that it is bound by it.

Dated this _____ day of _____, 20____ in the city of _____ in the Province (State) of _____.

Print full legal name

Print name of authorized signatory

Signature of authorized signatory

This form should be faxed to WCE Regulatory Division at **(204) 925-5010**, or sent by regular mail to:

WCE Regulatory Division
400 – 360 Main Street
Winnipeg, MB
R3C 3Z3

Negotiated Options

Date

Options Leg

	Buyer			Seller			Quantity	Commodity Month	Strike Type	Expiry Date			Price
	Code	CTI	Opn/Cls	Code	CTI	Opn/Cls				Year	Month	Day	
1									C P				
2									C P				
3									C P				

Market Information ** (Provide details of the trade or market at the time of transaction)

Options Leg	Futures Price	Volatility	Delta
Leg 1			
Leg 2			
Leg 3			

*** This information will assist in managing the price settlement procedures. Although providing this information is optional, it is recommended.*

Futures Leg (if applicable)

Buyer			Seller			Quantity	Commodity Month	Price
Code	CTI	Opn/Cls	Code	CTI	Opn/Cls			

Individual presenting Trade

Company	
Name	
Signature	
Telephone Number	

To be completed by an Exchange Official

Trade Identifier	
Trade Authorization - Signature	

THE CODE OF CONDUCT

This Code is based on principles developed and recognized by many related organizations, including the National Futures Association (US), the International Organization of Securities Commissions, and the Canadian Securities Institute. The Code contains principles that are fundamental to the undertaking of every registrant permitted to conduct business for clients through the facilities of the Exchange.

Trading for other Participants and for clients is a privilege, not a right. This policy sets out the minimum standards all individuals registered to trade for other Participants and for clients are required to meet.¹

The Code should be viewed as the minimum standards for ethical compliance only. All registrants must have regard not only to the letter of the code, but also to the general principles. If registrants are members of other SROs (such as the IDA) they must always adhere to the most stringent requirements. Many provisions of the Code will not directly apply to Locals or certain individuals registered in the category of General, as their registration category allows for trading for their own account only; however, where applicable, they are required to adhere to the Code.²

The Code of Conduct

- 1. WCE Traders must, at all times, put the interests of their clients ahead of their own.**
- 2. Any trading advice or recommendations made by a WCE Trader to a client must be based on a careful and thorough analysis of both the client and all information relevant to the transaction(s) at issue. Complete and accurate information must be provided to the client.**
- 3. All client information must be maintained on a strictly confidential basis at all times. WCE Traders may not provide client information to any third party unless required by regulatory authority or with the express consent of the client.**
- 4. WCE Traders may not exercise discretion on any client orders, except where specifically granted by the client and permitted under WCE Rules.**
- 5. WCE Traders must maintain a high standard of professional knowledge commensurate with the business they conduct.**
- 6. WCE Traders must, at all times, adhere strictly and without exception to all relevant statutory and regulatory requirements.**
- 7. WCE Traders must conduct themselves with integrity and dignity. They must ensure that they observe high standards of commercial honour and just and equitable principles of trade in all respects in the conduct of their business.**

¹ For the purposes of this Code the term “WCE Trader” refers to the registration categories of Broker, Local, General, Market Maker and any individual employees of Direct Access Trading Participants and Trading Participants.

² The Regulatory Division of Winnipeg Commodity Exchange Inc. thanks and credits the Canadian Securities Institute, the International Organization of Securities Commissions and the Markkula Center for Applied Ethics, Santa Clara University, for the valuable assistance their materials provided as a template for this Code.

The following is a more detailed analysis of each section of the Code. Examples are given for illustrative purposes.

1. WCE Traders must, at all times, put the interests of their clients ahead of their own.

WCE Traders must put the client's interests first with respect to all business dealings. At any time where the WCE Trader has an interest that competes with the client's interest, the client must come first and the client must always be given priority or best treatment.

In some cases a WCE Trader may be in a fiduciary relationship with his or her clients. This relationship occurs in situations where the client places a special trust and confidence in the Floor Trader. In these situations, the client has the expectation that the WCE Trader will act in his (the client's) best interests even if that is to the detriment of the WCE Trader.

The fiduciary relationship requires the highest standard of care on the part of the WCE Trader to act carefully, honestly and in good faith for the client. Whether or not a fiduciary relationship exists between a WCE Trader and his or her client(s) depends the unique characteristics of each relationship. Once the fiduciary relationship exists it is incumbent upon the WCE Trader *"...to advise the client carefully, fully, honestly and in good faith and to carry out the client's intention."*³

2. Any trading advice or recommendations made by a WCE Trader to a client must be based on a careful and thorough analysis of both the client and all information relevant to the transaction(s) at issue. Complete and accurate information must be provided to the client.

WCE Traders are not required to make trading recommendations; however, where they are made they must be based on accurate information that is well researched and accurate. Any recommendations must be thought through and based on the unique needs of the client. WCE Traders must make all efforts to fully understand the business of their clients as it relates to trading on the Exchange. The extent of this responsibility will depend upon the client; for example a Salesperson's duty to a retail client will be considerably higher than that of a Broker to a Participant Merchant Company (where execution of orders without any advice or recommendation on orders may be the totality of the client relationship). Each business relationship must be reviewed on an individual case-by-case basis.

3. All client information must be maintained on a strictly confidential basis at all times. WCE Traders may not provide client information to any third party unless required by regulatory authority or with the express consent of the client.

All information concerning clients, including the very fact that a particular entity is a client should not be disclosed unless required by regulatory requirement or with the express consent of the client. All WCE Traders must take care that conversations are not overheard and that records are not left for others to read and access. Dealings between WCE Traders and their clients are based on trust. Any erosion of this trust must be avoided at all costs. Erosion of trust will occur both in matters that are very serious, such as front running client orders, and in matters that may be considered less serious, such as bragging about the amount of business being done for a particular client. However, the result, in both cases, may be loss of brokerage business.

4. WCE Traders may not exercise discretion on any client orders, except where specifically granted by the client and permitted under WCE Rules.

Exercising discretion on client orders is strictly forbidden and is considered a serious violation.

³ Per: *Maghun v Richardson Securities of Canada Ltd.* 1986 (Ont. C.A.)

5. WCE Traders must maintain a high standard of professional knowledge commensurate with the business they conduct.

Each WCETrader is responsible for understanding all factors which influence the agricultural derivatives industry, in order to maintain a high level of competence in their dealing with customers. All WCE Traders must actively and continually work to upgrade their skills, knowledge, and expertise in order to maintain a high standard of professional knowledge.

As Participants, WCE Traders must receive updates to the WCE Rulebook, and memos regarding Rule application and interpretation. It is the obligation of each WCE Trader to ensure he/she reads these documents, and understands them. It is not acceptable to participate in the market when you do not understand the Rules that govern your activities.

6. WCE Traders must, at all times adhere strictly and without exception to all relevant statutory and regulatory requirements.

It is incumbent upon all WCE Traders know all relevant statutory and regulatory requirements. Floor Traders must keep up with any amendments to same. This requires consistent and ongoing attention to all regulatory and/or Rule amendments and time and energy must be spent on understanding how changes affect the business of the WCE Trader. If a WCE Trader does not understand the impact changes to the regulatory regime and/or Rules may have, it is the responsibility of that WCE Trader to seek advice necessary to fully comprehend the said changes.

Behavior that is either unethical, contrary to regulatory requirements or illegal, can result in various forms of liabilities and sanctions. The mandate of securities regulatory authorities across Canada is to foster integrity in the capital markets and protect investors.

7. WCE Traders must conduct themselves with integrity and dignity. They must ensure that they observe high standards of commercial honour and just and equitable principles of trade in all respects in the conduct of their business.

This provision is very broad and requires all WCE Traders to conduct themselves with honesty and truthfulness, always acting in a manner exhibiting high standards of commercial ethics. WCE Traders are professionals whose business activities affect the economic well being of a large number of people and whose clients rely upon them to provide a knowledgeable, skilled service.

REPLY

IN THE MATTER OF:

Regulatory Division of
Winnipeg Commodity Exchange Inc.
and
"name(s) of Respondent(s)"

To:
The Corporate Secretary
Winnipeg Commodity Exchange Inc.
Suite 400 – 360 Main Street
Winnipeg, Manitoba R3C 3Z4

TAKE NOTICE THAT _____ hereby replies to the
(type full legal name of respondent or respondents)

Originating Notice, dated _____ as follows:

1. The following facts set out in the Originating Notice are admitted; (list each fact separately or, where feasible, admit by paragraph number)
2. The following facts set out in the Originating Notice are denied; (list each fact separately or, where feasible, deny by paragraph number)
3. The following additional facts will be addressed in evidence by the respondents(s):
(List each fact and set out how the evidence will be addressed.)
4. It is/is not (circle appropriate) the intention of the respondent to retain counsel for the hearing of this matter. Counsel's name and phone number is

_____.

I ACKNOWLEDGE THAT:

- a) if I have not expressly admitted or denied a fact set out in the Originating Notice I will be deemed to have admitted it; and
- b) I may be precluded from addressing any evidence at the hearing that I have not set forth in paragraph 2 above, or addressing further evidence if it is not set out in paragraph 3, above.

Dated at the city of _____, Province of _____

this _____ day of _____, 20____.

Respondent's signature

Print Respondent's name

NOTICE OF HEARING

IN THE MATTER OF:

Regulatory Division of
Winnipeg Commodity Exchange Inc.
and
“name(s) of Respondents(s)”

To:
(name of all Respondents)

TAKE NOTICE THAT:

IN THE ABOVE captioned matter a hearing has been set, pursuant to Rule 10, as follows;

Date(s): _____
Place: _____
Time: _____

AND TAKE NOTICE THAT ALL RESPONDENTS ARE REQUIRED TO ATTEND THE HEARING AND THAT FAILURE TO ATTEND THE HEARING COULD RESULT IN THE HEARING PROCEEDING IN YOUR ABSENCE AND PENALTIES BEING ASSESSED AGAINST YOU WITHOUT FURTHER NOTICE TO YOU.

Issued this _____ day of _____, 20____.

Regulatory Division of
Winnipeg Commodity Exchange Inc.

Per: _____
Vice President, Market Regulation

OFFER OF SETTLEMENT

IN THE MATTER OF:

Regulatory Division of
Winnipeg Commodity Exchange Inc.
and
"name(s) of Respondent(s)"

To: Regulatory Division
Vice President, Market Regulation
400 – 360 Main Street
Winnipeg, Manitoba R3C 3Z4

The following Respondent(s) to this hearing, namely, _____

(fill out complete names of all respondents submitting the Offer of Settlement) hereby offer to settle the matters contained in the Originating Notice dated _____ on the following basis;

1) The Regulatory Division alleges that the following provision of the Act and or Rules have been breached: (list the Rules)

2) The Respondent(s) are prepared to accept the following statement of facts; (detail below all facts you agree to, additional scheduled pages may be attached)

3) The Respondents are prepared to accept the following penalties; (list penalties)

4) The undersigned Respondent(s) hereby asks that the matters alleged by settled on the basis set out herein.

I acknowledge and accept that:

- i) this settlement offer may be accepted, rejected or countered by the staff of the Regulatory Division in accordance with the Rules;
- ii) if accepted, or countered and I accept the counteroffer, the settlement will be presented to the appropriate disciplinary committee and no additional information will be presented to the appropriate disciplinary committee;
- iii) If the Offer of Settlement is accepted by the appropriate disciplinary committee; I hereby waive my rights to a full hearing and appeal of the matters at issue;
- iv) if accepted by the appropriate disciplinary committee the facts and the disposition will become public information; and
- v) if not accepted by the staff of the Regulatory Division or the appropriate disciplinary committee, this matter will proceed to a hearing before a separate panel of the appropriate disciplinary committee and both I and the staff of the Regulatory Division are precluded from making any reference to settlement matters at such a future hearing.

Signed before me this)
_____ day of _____,)
at the City of _____, Province of)
_____)

Signature of Respondent

A Commissioner for Oaths/Notary Public

Type full name of Respondent

**NOTICE OF APPEAL
FROM THE DECISION OF
DISCIPLINARY COMMITTEE**

IN THE MATTER OF:

Regulatory Division of
Winnipeg Commodity Exchange Inc.
and
"name(s) of Respondent(s)"

To:
The Corporate Secretary
Winnipeg Commodity Exchange Inc.
Suite 400 – 360 Main Street
Winnipeg, Manitoba R3C 3Z4

TAKE NOTICE THAT _____ hereby appeals from
(type full legal name of appellants)
the decision of the Disciplinary Committee rendered in the above captioned matter.

The grounds for the appeal are; (state fully all grounds for appeal)

The appellant does/does not (cross out what is inapplicable) intend to seek permission to adduce new evidence before the Special Regulatory Committee that was not adduced at the Disciplinary Committee hearing.

The new evidence includes: (set out if applicable)

I understand that within 15 business days of the filing of this Notice of Appeal I am required to file 7 copies of an Appeal Brief containing all arguments I intend to use on the appeal, with the Corporate Secretary of the Exchange.

Dated at the city of _____ Province of _____

this _____ day of _____, 20____.

Full legal name of appellant

Signature of appellant

**WINNIPEG COMMODITY EXCHANGE INC.
HARASSMENT POLICY**

HARASSMENT POLICY

It is the stated policy of the Winnipeg Commodity Exchange Inc. (the "Exchange" or "WCE") that all Participants, employees and customers are entitled to be treated with dignity, free from harassment based on race, sex, national or ethnic origin, colour, religion, age, marital or family status, sexual orientation, disability or any other legally prohibited ground of discrimination. This policy of the Exchange is intended to be and to remain consistent with the laws of the Province of Manitoba (*The Human Rights Code (Manitoba) CCSM c. H175*) and of Canada.

The Exchange is committed to providing a workplace that is free from all forms of harassment and discrimination and will make every reasonable effort to ensure that no employee, member or customer is subjected to any form of discriminatory conduct. The Exchange will take such disciplinary measures as it deems appropriate (up to and including expulsion from Participant Status or dismissal from employment) against any Participant or employee of a Participant or employee of the WCE who subjects any Participant, employee or customer to any discriminatory or harassing conduct.

Definition

Harassment is a form of discrimination. Harassment is any conduct — verbal, physical, or by innuendo — that is likely to cause offense or humiliation to any person.

Sexual Harassment

Sexual harassment is one of the most common forms of harassment. Sexual harassment is deliberate and unsolicited and can include offensive sexual comments, gestures or physical contact that are unwanted or offensive either on a first time basis or as a continuous series of incidents. The behaviour need not be intentional in order to be considered sexual harassment. Sexual harassment may include, but is not limited to the following: unwelcome remarks, jokes, innuendos, propositions, or taunting about a persons' body, attire, sex or sexual orientation, displaying of pornographic or sexist pictures or materials, leering, physical contact such as touching, patting, or pinching,. It may also involve favours, promises of favours, advantages in return for giving in to sexual advances or, the threat of revenge for refusing them.

Sexual harassment, by definition, is coercive and one-sided and both males and females can be victims of it.

Personal Harassment

Personal harassment is any unwelcome behaviour, conduct or communication, directed at an individual that is offensive to that individual and is based on gender, marital status, sexual orientation, race, colour, religion, origin, ancestry, age, disability or any other prohibited ground. The behaviour need not be intentional in order to be considered personal harassment. It is persistent and creates an intimidating, offensive or embarrassing work environment. It may include but is not limited to the following: unwelcome remarks, jokes, innuendos or taunting about a person's racial or ethnic background, colour, place of birth, citizenship, ancestry or religion, displaying of racist or bigoted ethnic pictures or materials.

Work Place

This policy is limited to behaviour which occurs in the workplace. However, under the policy, "workplace" is defined broadly and includes, but is not limited to: the actual work site (the Exchange offices and trading floor), telephone communications, outside office events such as office related social functions, conferences, training sessions, during work related travel and so forth.

What to do if harassment occurs: Procedure

If you are being harassed:

1. If you feel able, tell the individual his/her behaviour is unwelcome and ask him/her to stop. (In certain cases it is recognized that the victim of harassment may not feel comfortable in confronting the harasser.)
2. Keep a record of incidents, date, locations, possible witnesses and your response. You do not need a record to make a complaint but a record will help you to accurately remember details over time.
3. Make a complaint by reporting the situation to one of the following individuals: (your choice)
 - (a) your manager, (if an employee)
 - (b) General Counsel; or
 - (c) any Vice-President

Dealing With a Complaint

Once a complaint is received by any of the above people, it will be kept confidential by them, to the extent possible. The information will, of course, be provided to the person(s) charged with investigating the complaint. The complainant and the alleged harasser will be interviewed (separately) along with any individuals who may be able to provide relevant information. Any individual who is accused of serious harassment will be advised that they have the right to retain counsel of their choice (and of their cost) prior to being interviewed. Failure or refusal to respond to a request by the person(s) charged with investigating the complaint will be seen as an aggravating factor.

If the investigation reveals evidence to support the complaint of sexual or personal harassment, appropriate action will be taken. Discipline can include suspension or dismissal and the incident will be documented in the harasser's file, in the case of an employee. In the case of a member, appropriate action may involve a settlement arrived at between the harasser and senior management of the Exchange or it may result in a hearing before the Special Regulatory Committee.

No documentation whatsoever will be placed in the complainant's file (if the complainant is an employee) where the complaint is filed in good faith, whether or not the complaint is upheld.

Regardless of the outcome of a harassment complaint made in good faith, the employee or Participant lodging the complaint, as well as anyone providing information, will be protected from any form of retaliation by either co-workers, Participant or superiors, such as demotion, unwanted transfer or denial of opportunities within the organization.

Management has a responsibility to prevent any harassment in the workplace. Managers who fail to take appropriate corrective action when made aware of harassment will themselves be subject to disciplinary action.

Additional Rights

All persons affected by harassment in any form have the right to contact the Manitoba Human Rights Commission to file a complaint of harassment or to file a complaint with the police.

USE OF INTERNET AND ELECTRONIC COMMUNICATIONS DEVICES POLICY**POLICY:**

All persons utilizing electronic communications devices (as defined herein) are required to ensure that the usage is for acceptable purposes and not for any illegal, improper or offensive purposes.

The Exchange is a regulated entity. Under the provisions of *The Commodity Futures Act, S.M. 1996, c.73* it is required to act in the public interest and ensure that confidence in the capital markets of Manitoba is upheld and maintained. It is incumbent upon all persons to ensure that conduct relating to electronic communications is of a consistently high standard.

APPLICATION:

All employees and all Participants accessing the Trading System must adhere to this policy in connection with the use of all electronic communication devices, including telephone, computer hardware and software and related equipment such as e-mail and voice mail systems and systems used to access the Internet, regardless of whether the said communications devices are owned and/or controlled by the Exchange or are owned/rented/leased by the Participant.

This policy applies to everyone and all usage of the Trading System, regardless of ownership of the said communication devices.

APPROPRIATE and PROHIBITED USAGE:

All persons utilizing electronic communication devices are permitted to do so for only for acceptable and reasonable purposes and are required to apply good judgment.

It is appropriate to utilize electronic communication devices for business purposes and for general interest purposes, provided such purposes are not illegal, improper or offensive. Such forbidden purposes and use include, but are not limited to, the following:

- a) Harassing or demeaning communications;
- b) inappropriate humor;
- c) offensive graphics or images, for example accessing pornographic or hate-group internet sites;
- d) any communications deemed unacceptable under the provisions of the Act, rules or regulations;
- e) copyright or trademark infringement; and
- f) disclosure of confidential information pertaining to the WCE and/or any of its Participants to other employees or any third parties.

DO NOT EXPECT PRIVACY

Although the WCE does not routinely monitor e-mail, voice mail or Internet communications, please be aware that all communications made through WCE equipment can and may be viewed by third parties, including the IT department and/or management without prior notice. Such communications may be copied or seized in the event that same are considered to constitute improper use of communication tools and may be subject to disclosure to regulatory bodies and/or other authorities, including the police.

BREACH OF POLICY

Breach of this policy is a violation of the Rules of the Exchange and subject to immediate disciplinary penalties. Such penalties can include reprimand, fine or suspension or expulsion from Participant status. Appropriate action may involve a settlement arrived at between the person and senior management of the Exchange or it may result in a hearing before the Special Regulatory Committee.

WINNIPEG COMMODITY EXCHANGE INC.

NOTICE OF ARBITRATION

1. Submitted by: _____
full name of person or corporation

Phone number: _____

Fax number: _____

2. The name(s) and address(es) against whom the claim or grievance is being asserted is (are):

3. The nature and substance of the claim or grievance is:

4. The relief I am requesting is:

6. Acknowledgement

I agree to be bound by and abide by the By-law and Rules of Winnipeg Commodity Exchange Inc. I further agree to be bound by the determinations of the Committee of Arbitration of which I will elect one member, the respondent will elect one member and our elected members will nominate a third member who will act as Arbitrator. In the event the two Arbitrator chosen cannot come to an agreement on a third member, that third member will be selected by the President of the Exchange.

And I further acknowledge and agree that the said award of the Arbitrators, or of a majority of them, shall be final and conclusive to all intents and purposes and I agree to pay such costs, fees and expenses as may be directed by such award.

IN witness whereof I have hereto set my hand and seal, at Winnipeg this _____ day of

_____ , _____ .

Witness

Signature (with corporate seal if applicable)

(Company Name)

Annex 14.A

**WARRANT - FEED WHEAT
(Issuer – Owned)**

(Note: This warrant will not be accepted unless it is completed IN FULL)

Net Tonnes _____
Issue Date _____

The Undersigned Merchant Participant (type full legal name of the company)

_____ (the "Merchant"), in consideration for Winnipeg Commodity Exchange Inc. (WCE) accepting this Warrant and allowing the Merchant to make delivery against the futures contract, hereby acknowledges, represents and/or certifies that:

- 1) It holds a short futures position that corresponds to the quantity and contract commodity set out in this Warrant;
- 2) When called for shipment, the commodity shipped will be of the quantity noted above and quality as set out in the WCE Rules and will be free and clear of any liens, encumbrances and security interests of any kind whatsoever;
- 3) When called for shipment, it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules.
- 4) if it utilizes any of the Third Party Shipment Process procedures, whereby it will arrange to ship out the commodity from an elevator or elevators registered by another Participant(s), it is and remains, completely responsible for all obligations relating to this Warrant as set out in the WCE Rules, including all shipment requirements. All issues relating to a shipment including, but not limited to, grade standards, quality, quantity, ownership and title and all other ancillary matters are, and remain, the sole responsibility of the Merchant. It agrees that the Exchange is entitled to recover any and all damages and costs from the security/indemnification it provides relative to this warrant. The Merchant further agrees and acknowledges that it is not absolved of any of its warrant obligations by virtue of utilizing any of the Third Party Shipment Process procedures.
- 5) It will be bound by all WCE Rules and fully appreciates the penalties and sanctions that may be imposed for default.

Dated the city/town of _____, in the Province/State of _____

this _____ day of _____, 20__.

Type full legal name of Merchant

Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail address of Authorized Signatory of Merchant

NOTE: WCE Rules stipulate that 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 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.

**WARRANT- Feed Wheat
(Third Party Delivery)**

(NOTE: THIS WARRANT IS IN TWO PARTS AND IS NOT PROPERLY COMPLETED UNLESS BOTH PARTS OF THE WARRANT ARE COMPLETED AND EXECUTED BY THE REQUIRED PARTIES. THE WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

Net Tonnes
Issue Date

PART 1 – to be completed by Merchant Participant

The Undersigned Merchant Participant (type full legal company name)_____

_____ (the “Merchant”) hereby represents and certifies that:

- 1) it has entered into a written agreement with the Beneficial Owner of the commodity, _____ (type out full legal name of the Beneficial Owner) which states, inter alia, that
 - a) The Beneficial Owner will provide the Merchant with the commodity, of the quantity noted in this Warrant and quality as set out in the Rules of Winnipeg Commodity Exchange Inc. (“WCE” or the “Exchange”) as and when called upon by the Merchant to do so and that the commodity will be free and clear of any liens, encumbrances and security interests of any kind whatsoever;
 - b) the Merchant will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules;
 - c) the Beneficial Owner holds a short position that corresponds to the quantity of the contract commodity as set out in this Warrant and quality as set out in the Rules; and
 - d) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules;
- 2) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules;
- 3) it is responsible for the proper completion of shipment under the provisions of the Rules of the Exchange and is responsible for all issues relating to the commodity including, but not limited to, grade standard, quality, quantity, ownership and title and all other ancillary matters are the sole responsibility of the Merchant; and
- 4) it will be bound by all WCE Rules and fully appreciates the penalties and sanctions that may be imposed for default by itself and/or the Beneficial Owner.

Dated at the city/town of _____, in the Province of _____ this _____ day of _____, _____.

Type full legal name of Merchant

Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail of Authorized Signatory of Merchant

PART 2 – to be completed by Beneficial Owner of Commodity

The undersigned Beneficial Owner of the commodity _____ (the Beneficial Owner”) hereby certifies that;

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) its WCE Clearing Corporation (“WCECC”) Clearing Participant is _____ (type full legal name of WCECC Clearing Participant)
- 3) it has entered into a written agreement with, _____ (type out full legal name of Merchant Participant) which states, inter alia, that
 - a. The Beneficial Owner will provide the Merchant with the commodity, of the quantity noted in this Warrant and quality as set out in the Rules as and when called upon by the Merchant to do so and that the commodity will be free and clear of any liens, encumbrances and security interests of any kind whatsoever;
 - b. the Merchant will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules;
 - c. the Beneficial Owner holds a short position that corresponds to the quantity of the contract commodity as set out in this Warrant and quality as set out in the Rules; and
 - d. the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

The undersigned Beneficial Owner acknowledges and agrees that this Warrant creates an actionable obligation and that if any of the certified statements are incorrect, the Beneficial Owner shall be liable in damages to the WCE, the Merchant or both.

Dated at the city/town of _____ in the Province of _____ this _____ day of _____, _____.

Type full legal name of Beneficial Owner

Signature of Beneficial Owner

Type name of witness to the Beneficial Owner

Signature of witness to the Beneficial Owner

(NOTE: In executing this Warrant, a company should affix the corporate seal over the signatures of its authorized signatory or signatories. A non-corporate party should execute the warrant and have his or her signature witnessed by an adult who signs as witness to the signature.)

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 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.

**FEED WHEAT
DELIVERY CERTIFICATE**

Issued pursuant and subject to the By-law and Rules
of Winnipeg Commodity Exchange Inc.

Dated, Winnipeg _____

NO.

NET TONNES

This is to certify that Winnipeg Commodity Exchange Inc. ("WCE") holds Feed Wheat Warrant(s) from Merchants with grain handling elevators, registered as "Regular" with WCE.

The Feed Wheat will be loaded-out to the order of _____
(full legal name)

pursuant to the By-laws and Rules of WCE.

The Feed Wheat represented by this Certificate shall be shipped only upon the surrender of this Certificate, properly endorsed, in the manner prescribed in the WCE Rules.

WCE shall not be responsible for any loss or damage which may be suffered or incurred by any entity by reason of the failure of the warrant issuer to load-out or deliver the quantity and/or deliverable quality of Feed Wheat called for.

Winnipeg Commodity Exchange Inc.

Per: _____

Per: _____

THIS DOCUMENT IS NOT TRANSFERABLE OR ASSIGNABLE

The undersigned holder hereby surrenders this
Delivery Certificate to WCE:

DATED _____

SIGNED _____

(type name of authorized signatory)

CANOLA WARRANT

(Issuer –Owned)

APPLICABLE UNTIL OCTOBER 31, 2005

(NOTE: THIS WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

In-Store Registered "Regular" and/or "Non-Regular" Elevators

Grade Specifications – No.1 or No. 2 (**circle one**)

Net Tonnes

Issue Date

The Undersigned Merchant Participant (type full legal company name)

_____ (the "Merchant")

Certifies to Winnipeg Commodity Exchange Inc. ("WCE" or the "Exchange") that:

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) it owns the commodity noted above free and clear of all encumbrances;
- 3) the commodity is stored in one or more of its grain handling elevators registered with WCE as "regular" for "Free on Board" (F.O.B.) delivery against Canola Futures Contracts, or as "non-regular" for storage (if applicable);
- 4) it will maintain the quantity and quality of the commodity as delivered;
- 5) it will make the commodity available and effect shipment from one of its "regular" elevators upon demand by the holder of Delivery Certificates to such holder when the Delivery Certificate (s) are assigned to this Warrant by the Exchange, in the manner prescribed in the WCE Rules; and
- 6) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules.

To ensure performance of its obligations, the Merchant hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to the commodity. The Merchant represents and warrants to the Exchange that the commodity is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation of Delivery Certificates to the buyer(s) and receipt of the monies required to be paid from the buyer(s).

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable in damages to WCE in the event that shipment is not made as required by the Rules of WCE.

Dated at the city/town of _____, in the Province of _____ this _____ day
of _____, _____.

(Type full legal name of Merchant)

Per: _____
Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail address of Authorized Signatory of Merchant

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 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.

CANOLA WARRANT

(Third Party Delivery)

(NOTE: THIS WARRANT IS IN TWO PARTS AND IS NOT PROPERLY COMPLETED UNLESS BOTH PARTS OF THE WARRANT ARE COMPLETED AND EXECUTED BY THE REQUIRED PARTIES. THE WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

In-Store Registered "Regular" and/or "Non-Regular" Elevators

Grade Specifications – No. 1 or No. 2 (**circle one**)

Net Tonnes

Issue Date

PART 1 – to be completed by Merchant Participant

The Merchant Participant (type full legal company name)

_____ (the "Merchant")

Certifies that:

- 1) it controls the commodity noted above;
- 2) the commodity is stored in one or more of its grain handling elevators registered with the Winnipeg Commodity Exchange Inc. ("WCE" or the "Exchange") as "regular" for "Free on Board" (F.O.B.) delivery against Canola Futures Contracts, or as "non-regular" for storage (if applicable);
- 3) it will make the commodity available at the grade standard, quantity and quality required by the contract and effect shipment from one of its "regular" elevators upon demand by the holder of Delivery Certificates to such holder when the Delivery Certificate (s) are assigned to this Warrant by the Exchange, in the manner prescribed in the WCE Rules;
- 4) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules; and
- 5) it has entered into a written services agreement with the Beneficial Owner of the commodity, _____ (type out full legal name of the Beneficial Owner) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever, b) the Merchant will store the commodity at one of its elevators registered with the Exchange as "regular", or "non-regular" if applicable, and will maintain the quantity and quality of the commodity as required by the WCE Rules, c) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

The Merchant acknowledges and agrees that all issues relating to the commodity including, but not limited to, grade standard, quality, quantity, ownership and title and all other ancillary matters are the sole responsibility of it as the Elevator Owner/Operator.

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable in damages to WCE in the event that shipment is not made as required by the Rules of WCE.

Dated at the city/town of _____, in the Province of _____ this _____ day of _____, _____.

Type full legal name of Merchant

Per: _____
Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail address of Authorized Signatory of Merchant

PART 2 – to be completed by Beneficial Owner of Commodity

The undersigned Beneficial Owner of the commodity _____(the Beneficial Owner”) hereby certifies that;

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) its WCE Clearing Corporation (“WCECC”) Clearing Participant is _____ (type full legal name of WCECC Clearing Participant)
- 3) it has entered into a services agreement with _____ (type full legal name of Merchant) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever, b) the Merchant will store the commodity at one of its elevators registered as “regular”, or “non-regular” if applicable, and will maintain the quantity and quality of the commodity as required by the WCE Rules, c) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

To ensure the performance of its obligations, the undersigned Beneficial Owner hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to the commodity. The Beneficial Owner represents and warrants to the Exchange that the commodity is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation by the Clearing Participant of the Beneficial Owner of the Delivery Certificates to the buyer(s) and the receipt by the Clearing Participant of the Beneficial Owner of the monies required to be paid from the buyer(s).

The undersigned Beneficial Owner acknowledges and agrees that this Warrant creates an actionable obligation and that if any of the certified statements are incorrect, the Beneficial Owner shall be liable in damages to the WCE, the Merchant or both.

Dated at the city/town of _____ in the Province of _____ this _____ day of _____, _____.

Type full legal name of Beneficial Owner

Signature of Beneficial Owner

Type name of witness to the Beneficial Owner

Signature of witness to the Beneficial Owner

(NOTE: In executing this Warrant, a company should affix the corporate seal over the signatures of its authorized signatory or signatories. A non-corporate party should execute the warrant and have his or her signature witnessed by an adult who signs as witness to the signature)

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 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.

**CANOLA
DELIVERY CERTIFICATE**

Issued pursuant and subject to the By-Law and Rules
of Winnipeg Commodity Exchange Inc.

Dated, Winnipeg _____

NO.

IN-STORE REGISTERED "REGULAR" AND/OR "NON-REGULAR" ELEVATORS

GRADE SPECIFICATIONS

NET TONNES

This is to certify that Winnipeg Commodity Exchange Inc. ("WCE") holds Canola Warrant(s) from Merchants with grain handling elevators, registered as "Regular" or as "Non-Regular" with Winnipeg Commodity Exchange Inc. ("WCE").

The Canola will be shipped to the order of _____
(full legal name)

pursuant to the By-laws and Rules of WCE.

The Canola represented by this Certificate shall be shipped only from "Regular" elevator(s) upon the surrender of this Certificate, properly endorsed, in the manner prescribed in the WCE Rules.

WCE shall not be responsible for any loss or damage which may be suffered or incurred by any entity by reason of the failure of the warrant issuer to ship out or deliver the quantity and/or deliverable grade of Canola called for.

Winnipeg Commodity Exchange Inc.

Per: _____

Per: _____

THIS DOCUMENT IS NOT TRANSFERABLE OR ASSIGNABLE

The undersigned holder hereby surrenders this
Delivery Certificate to WCE:

DATED _____

SIGNED _____

(Type name of Authorized Signatory)

CONFIDENTIAL**Statement of Canola DDCs and Sales**

This form must be submitted by all canola Warrant-Issuers who have canola Warrants outstanding that, in aggregate, total more than the canola stocks that are 100% owned and controlled by the Warrant-Issuer.**

Name of Warrant-Issuer: _____

Date of Report: _____

	<u>Time Period</u>	<u>DDCs</u>	<i>less</i>	<u>Sales</u>	=	<u>NET</u>
A	30 days		--		=	
B	60 days		--		=	
C	90 days		--		=	

Name of authorized signatory for Warrant Issuer

Signature

**** It is important to note that WCE Rules limit the amount by which Warrants can be issued in excess of owned and controlled stocks. Warrant-Issuers should consult Rule 15 for complete details.**

See second page for details on how to complete this report.

Instructions for Completion of Annex 15.D

Who Should Report

An Annex 15.D must be submitted by a Warrant-Issuer:

1. Any time a canola Warrant is issued which, when aggregated with all other canola Warrants issued by the same entity, results in the aggregate canola represented by all warrants being less than 100% owned and controlled by the Warrant-Issuer.
2. Any time the total canola stocks 100% owned and controlled by a Warrant-Issuer fall below the aggregated tonnage of all canola Warrants that are outstanding for that Warrant-Issuer.

When to Report

1. An Annex 15.D must be submitted **at the same time** as a canola Warrant that is issued which, by itself or in combination with other canola Warrants of that same issuer, exceeds the canola stocks that are 100% owned and controlled by the Warrant-Issuer.
2. An Annex 15.D must be submitted **weekly** so long as the total canola represented on all warrants issued by the Warrant Issuer is not 100% owned and controlled by the said Warrant-Issuer.

What to Report

1. DDCs (Deferred Delivery Contracts) which are callable within the specified 30, 60, and 90 day periods. These periods are cumulative; ie - the 60 day figure should include all 30-day DDCs, and the 90 day figure should include all 60-day and 30-day DDCs.**
2. Committed sales which are callable by the buyer for shipment within the specified 30, 60, and 90 day periods. These periods are cumulative; ie - the 60 day figure should include all 30-day sales, and the 90 day figure should include all 60-day and 30-day sales.

*****“Deferred Delivery Contract” - a written cash market purchase agreement for canola, in which a Merchant Participant authorized to issue warrants is the buyer and a third party is a seller and the terms of the agreement include a specified future delivery period.**

CANOLA WARRANT
(Issuer –Owned)

APPLICABLE November 1, 2005 and onward.

(NOTE: THIS WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

A minimum of 75% of all canola represented by all Warrants issued by this Warrant Issuer must be In-Store Registered "Regular" and/or "Non-Regular" Elevators.

Grade Specifications – No.1 or No. 2 (circle one)

Net Tonnes _____

Issue Date _____

The Undersigned Merchant Participant (type full legal company name)

_____(the "Merchant")

Certifies to Winnipeg Commodity Exchange Inc. ("WCE" or the "Exchange") that:

- 1) it holds a short futures position that corresponds to the quantity of canola set out in this Warrant;
- 2) it owns, free and clear of all encumbrances, no less than 75% of the canola represented on all its outstanding warrants, including this warrant;
- 3) no less than 75% of the canola represented on all its outstanding warrants, including this warrant is stored in one or more of its grain handling elevators registered with WCE as "regular" or as "non-regular" (if applicable);
- 4) it will maintain the quantity and quality of the canola as delivered;
- 5) it will make the canola available and effect shipment from one or more of its elevators registered as 'regular' to one or more holders of Delivery Certificate (s) as same are assigned to it by the Exchange, in the manner prescribed in the WCE Rules; and
- 6) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules.

To ensure performance of its obligations, the Merchant hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to a minimum of 75% of the canola represented on all its outstanding warrants, including this warrant. The Merchant represents and warrants to the Exchange that at least 75% of the canola represented on all warrants it has issued, including this warrant, is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation of Delivery Certificates to the buyer(s) and receipt of the monies required to be paid from the buyer(s).

The Merchant Participant acknowledges that it is permitted to include in its warrant obligations up to 25% of canola that is not owned and controlled by it, but that is contracted for under Deferred Delivery contracts, less the permitted haircut for sales. The Merchant Participant further acknowledges that, in the event its outstanding warrant obligations, including the obligations of this warrant, are represented by canola that it does not own and control, it is required to, and will concurrently herewith, file an Annex #8 and will file an updated Annex #8 on a

weekly basis hereafter for such period of time that 100% of the canola represented on all its outstanding warrants is not owned and controlled by it.

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable in damages to WCE in the event that shipment is not made as required by the Rules of WCE, in addition to any action taken by the Exchange pursuant to Default Rules.

Dated at the city/town of _____, in the Province of _____ this
_____ day of _____, 20 _____.

(Type full legal name of Merchant) Per: _____
Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of
Merchant

Phone number and e-mail address of Authorized
Signatory of Merchant

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 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.

WARRANT - FLAXSEED
(Issuer – Owned)

(Note: This warrant will not be accepted unless it is completed IN FULL)

A minimum of 75% of all flaxseed represented by all Warrants issued by the Warrant Issuer must be In-Store Registered “Regular” and/or “Non-Regular” Elevators.

Net Tonnes _____
Issue Date _____

The Undersigned Merchant Participant (type full legal name of the company)

_____ (the “Merchant”), certifies to Winnipeg Commodity Exchange Inc. (“WCE” or the “Exchange”) that:

- 1) it holds a short futures position that corresponds to the quantity of flaxseed set out in this Warrant;
- 2) it owns, free and clear of all encumbrances, no less than 75% of the flaxseed represented on all its outstanding Warrants, including this Warrant;
- 3) if it utilizes any of the Third Party Shipment Process procedures, whereby it will arrange to ship out the commodity from an elevator or elevators registered by another Participant(s), it is and remains completely responsible for all obligations relating to this Warrant as set out in the WCE Rules, including all shipment requirements. All issues relating to a shipment including, but not limited to, grade standards, quality, quantity, ownership and title and all other ancillary matters are, and remain, the sole responsibility of the Merchant. It agrees that the Exchange is entitled to recover any and all damages and costs from the security/indemnification it provides relative to this warrant. The Merchant further agrees and acknowledges that it is not absolved of any of its warrant obligations by virtue of utilizing any of the Third Party Shipment Process procedures.
- 4) no less than 75% of the flaxseed represented on all its outstanding warrants, including this warrant is stored in one or more of its grain handling elevators registered with WCE as “regular” or as “non-regular” (if applicable);
- 5) it will maintain the quantity and quality of the flaxseed as delivered;
- 6) it will make the flaxseed available and effect shipment from one or more of its elevators registered as ‘regular’ to one or more holders of Delivery Certificate (s) as same are assigned to it by the Exchange, in the manner prescribed in the WCE Rules; and
- 7) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules.

To ensure performance of its obligations, the Merchant hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to a minimum of 75% of the flaxseed represented on all its outstanding warrants, including this warrant. The Merchant represents and warrants to the Exchange that at least 75% of the flaxseed represented on all warrants it has issued, including this warrant, is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation,

immediately upon presentation of Delivery Certificates to the buyer(s) and receipt of the monies required to be paid from the buyer(s).

The Merchant Participant acknowledges that it is permitted to include in its warrant obligations up to 25% of flaxseed that is not owned and controlled by it, but that is contracted for under Deferred Delivery contracts, less the permitted haircut for sales. The Merchant Participant further acknowledges that, in the event its outstanding warrant obligations, including the obligations of this warrant, are represented by flaxseed that it does not own and control, it is required to, and will concurrently herewith, file an Annex #8A and will file an updated Annex #8A on a weekly basis hereafter for such period of time that 100% of the flaxseed represented on all its outstanding warrants is not owned and controlled by it.

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable in damages to WCE in the event that shipment is not made as required by the Rules of WCE, in addition to any action taken by the Exchange pursuant to Default Rules.

Dated the city/town of _____, in the Province/State of _____
this _____ day of _____, 20_____.

Type full legal name of Merchant

Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail address of Authorized Signatory of Merchant

NOTE: WCE Rules stipulate that 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 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.

**WARRANT- FLAXSEED
(Third Party Delivery)**

(NOTE: THIS WARRANT IS IN TWO PARTS AND IS NOT PROPERLY COMPLETED UNLESS BOTH PARTS OF THE WARRANT ARE COMPLETED AND EXECUTED BY THE REQUIRED PARTIES. THE WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

Net Tonnes
Issue Date

PART 1 – to be completed by Merchant Participant

The Undersigned Merchant Participant (type full legal company name)_____

_____ (the “Merchant”) hereby represents and certifies that:

- 1) it controls the commodity noted above;
- 2) the commodity is stored in one or more of its grain handling elevators registered with the Winnipeg Commodity Exchange Inc. (“WCE” or the “Exchange”) as “regular” for “Free on Board” (F.O.B.) delivery against Flaxseed Futures Contracts, or as “non-regular” for storage (if applicable);
- 3) it will make the commodity available at the grade standard, quantity and quality required by the contract and effect shipment from one of its “regular” elevators upon demand by the holder of Delivery Certificates to such holder when the Delivery Certificate (s) are assigned to this Warrant by the Exchange, in the manner prescribed in the WCE Rules;
- 4) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules; and
- 5) it has entered into a written services agreement with the Beneficial Owner of the commodity, _____ (type out full legal name of the Beneficial Owner) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever, b) the Merchant will store the commodity at one of its elevators registered with the Exchange as “regular”, or “non-regular” if applicable, and will maintain the quantity and quality of the commodity as required by the WCE Rules, c) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

The Merchant acknowledges and agrees that all issues relating to the commodity including, but not limited to, grade standard, quality, quantity, ownership and title and all other ancillary matters are the sole responsibility of it as the Elevator Owner/Operator.

Dated at the city/town of _____, in the Province/State of _____ this _____ day of

_____, _____.

Type full legal name of Merchant

Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail of Authorized Signatory of Merchant

PART 2 – to be completed by Beneficial Owner of Commodity

The undersigned Beneficial Owner of the commodity _____ (the Beneficial Owner”) hereby certifies that;

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) its WCE Clearing Corporation (“WCECC”) Clearing Participant is _____ (type full legal name of WCECC Clearing Participant)
- 3) it has entered into a services agreement with _____ (type full legal name of Merchant) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever, b) the Merchant will store the commodity at one of its elevators registered as “regular”, or “non-regular” if applicable, and will maintain the quantity and quality of the commodity as required by the WCE Rules, c) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

To ensure the performance of its obligations, the undersigned Beneficial Owner hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to the commodity. The Beneficial Owner represents and warrants to the Exchange that the commodity is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation by the Clearing Participant of the Beneficial Owner of the Delivery Certificates to the buyer(s) and the receipt by the Clearing Participant of the Beneficial Owner of the monies required to be paid from the buyer(s).

The undersigned Beneficial Owner acknowledges and agrees that this Warrant creates an actionable obligation and that if any of the certified statements are incorrect, the Beneficial Owner shall be liable in damages to the WCE, the Merchant or both.

Dated at the city/town of _____ in the Province/State of _____ this _____ day of _____, _____.

Type full legal name of Beneficial Owner

Signature of Beneficial Owner

Type name of witness to the Beneficial Owner

Signature of witness to the Beneficial Owner

(NOTE: In executing this Warrant, a company should affix the corporate seal over the signatures of its authorized signatory or signatories. A non-corporate party should execute the warrant and have his or her signature witnessed by an adult who signs as witness to the signature.)

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 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.

**FLAXSEED
DELIVERY CERTIFICATE**

Issued pursuant and subject to the By-law and Rules
of Winnipeg Commodity Exchange Inc.

Dated, Winnipeg _____

NO.

IN-STORE REGISTERED "REGULAR" AND/OR "NON-REGULAR" ELEVATORS

NET TONNES

This is to certify that Winnipeg Commodity Exchange Inc. ("WCE") holds Flaxseed Warrant(s) from Merchants with grain handling elevators, registered as "Regular" or as "Non-Regular" with WCE.

The Flaxseed will be loaded-out to the order of _____ pursuant
(full legal name)
to the By-laws and Rules of WCE.

The Flaxseed represented by this Certificate shall be shipped only from "Regular" elevators upon the surrender of this Certificate, properly endorsed, in the manner prescribed in the WCE Rules.

WCE shall not be responsible for any loss or damage which may be suffered or incurred by any entity by reason of the failure of the warrant issuer to load-out or deliver the quantity and/or deliverable quality of Flaxseed called for.

Winnipeg Commodity Exchange Inc.

Per: _____

Per: _____

THIS DOCUMENT IS NOT TRANSFERABLE OR ASSIGNABLE

The undersigned holder hereby surrenders this
Delivery Certificate to WCE:

DATED _____

SIGNED _____

(type name of authorized signatory)

CONFIDENTIAL

Statement of Flaxseed DDCs and Sales

This form must be submitted by all flaxseed Warrant-Issuers who have flaxseed Warrants outstanding that, in aggregate, total more than the flaxseed stocks that are 100% owned and controlled by the Warrant-Issuer.**

Name of Warrant-Issuer: _____

Date of Report: _____

	<u>Time Period</u>	<u>DDCs</u>	<i>less</i>	<u>Sales</u>	=	<u>NET</u>
A	30 days		--		=	
B	60 days		--		=	
C	90 days		--		=	

Name of authorized signatory for Warrant Issuer

Signature

**** It is important to note that WCE Rules limit the amount by which Warrants can be issued in excess of owned and controlled stocks. Warrant-Issuers should consult Rule 16 for complete details.**

See second page for details on how to complete this report.

Instructions for Completion of Annex 8A

Who Should Report

An Annex 8 must be submitted by a Warrant-Issuer:

1. Any time a flaxseed Warrant is issued which, when aggregated with all other flaxseed Warrants issued by the same entity, results in the aggregate flaxseed represented by all warrants being less than 100% owned and controlled by the Warrant-Issuer.
2. Any time the total flaxseed stocks 100% owned and controlled by a Warrant-Issuer fall below the aggregated tonnage of all flaxseed Warrants that are outstanding for that Warrant-Issuer.

When to Report

1. An Annex 8A must be submitted **at the same time** as a flaxseed Warrant that is issued which, by itself or in combination with other flaxseed Warrants of that same issuer, exceeds the flaxseed stocks that are 100% owned and controlled by the Warrant-Issuer.
2. An Annex 8A must be submitted **weekly** so long as the total flaxseed represented on all warrants issued by the Warrant Issuer is not 100% owned and controlled by the said Warrant-Issuer.

What to Report

1. DDCs (Deferred Delivery Contracts) which are callable within the specified 30, 60, and 90 day periods. These periods are cumulative; ie - the 60 day figure should include all 30-day DDCs, and the 90 day figure should include all 60-day and 30-day DDCs.**
2. Committed sales which are callable by the buyer for shipment within the specified 30, 60, and 90 day periods. These periods are cumulative; ie - the 60 day figure should include all 30-day sales, and the 90 day figure should include all 60-day and 30-day sales.

*****“Deferred Delivery Contract” - a written cash market purchase agreement for canola or flaxseed, in which a Merchant Participant authorized to issue warrants is the buyer and a third party is a seller and the terms of the agreement include a specified future delivery period.**

CONFIDENTIAL

Statement of Cash Positions Against WCE Inc. Futures

This form must be completed by all entities holding WCE futures positions as a hedge in excess of the speculative limits. See attached instruction sheet for complete details

Name of Position Holder: _____
 Date of Report: _____

Futures Contract	Cash Commodity	<i>In tonnes, or note otherwise</i>				NET
		Long Cash		Short Cash		
		Stocks Owned (incl. DCs)	Purchase Commitments	Sales Commitments		
Canola	Canola					
	Canola Products					
	Other _____					
	TOTAL					
Barley	Barley					
	Barley Products					
	Other _____					
	TOTAL					
Feed Wheat	Feed Wheat					
	Wheat Products					
	Other _____					
	TOTAL					
Flaxseed	Flaxseed					
	Flax Products					
	Other _____					
	TOTAL					

Cross-Hedges					
Futures Used to Hedge	Cash Commodity or Product	Units of Measure	Long Cash Stock Owned	Purchase Commit.	Short Cash Sales Commit.

Signature: _____
 Name: _____

Instructions for Completion of Cash Position Report

Who Should Report

1. All hedgers who, as of the first business day of the month, hold or control positions in the nearby month that exceed the speculative limits for that commodity, must submit a Cash Position Report for that commodity.
2. To determine whether a person is over the speculative limit, positions must be aggregated according to Exchange rules on common control and ownership.

When To Report

Cash Position Reports must be submitted no later than the close of business on the second business day of the month, and upon request thereafter. During the spot month, long futures position-holders must submit a revised Annex 17 no later than 12:00 noon each day that cash purchases are made.

What To Report

1. For each commodity in which positions in the nearby contract month exceed the speculative limit for that commodity, you must report for the following timeframe:
 - a. For long futures position-holders, report the information listed below for the period of time from the current date through to the end of the next-nearest futures contract after the spot month. For example, if the nearby contract is March, and the next-nearest is May, then all inventory, purchase commitments, and sales commitments until the end of May must be reported.
 - b. For short futures position-holders, report the **long cash** information listed below for the period of time from the current date through to the end of the second-nearest futures contract, and report the **short cash** information listed below for the period of time from the current date through the end of the spot month.
2. Specifically, you must report:
 - a. The entire quantity of cash stocks owned (including uncalled WCE Delivery Certificates) and open purchases/sales of the commodity, and its products and by-products.
 - b. The entire quantity of cash stocks owned and open purchases/sales of any commodity "cross-hedged" on the futures contract. This information should be written on the "Other" line for the relevant futures contract, and then detailed in the cross-hedge section at the bottom of the form.
3. Information should be reported in tonnes. Products, by-products, and cross-hedges should be reported in tonne equivalents of the underlying on the upper part of the form. Cross-hedges should also be reported in the actual units of measurement on the lower part of the form.
4. If you own no stocks and have no fixed-price cash position in a reportable commodity, indicate by writing "None".

Where to Submit

Cash Position Reports may be sent by e-mail or fax. Regular mail also be used, but reports must still be received by the deadline.

E-Mail: Linda Vincent (lvincent@wce.ca)
or Steve Teller (steller@wce.ca)
Fax: (204) 925-5010
Regular Mail: Regulatory Division of WCE Inc.
400 – 360 Main St.
Winnipeg, Manitoba R3C 3Z4

**WESTERN BARLEY
WARRANT**
(Issuer –Owned)

(NOTE: THIS WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

Net Tonnes _____
Issue Date _____

The Undersigned Merchant Participant (type full legal company name)
_____(the “Merchant”)

Certifies to Winnipeg Commodity Exchange Inc. (herein “WCE” or the “Exchange”) that:

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) it owns the commodity noted above free and clear of all encumbrances;
- 3) the commodity is located in a region for “Free on Board” (F.O.B.) delivery against Western Barley Futures Contracts;
- 4) it will maintain the quantity and quality of the commodity as delivered;
- 5) it will make the commodity available and effect shipment upon demand by the holder of Delivery Certificates to such holder when the Delivery Certificate (s) are assigned to this Warrant by the Exchange, in the manner prescribed in the WCE Rules; and
- 6) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules.

To ensure performance of its obligations, the Merchant hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to the commodity. The Merchant represents and warrants to the Exchange that the commodity is owned free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation of Delivery Certificates to the buyer(s) and receipt of the monies required to be paid from the buyer(s).

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable for all damages as set out in the Rules of WCE.

Dated at the city/town of _____, in the Province of _____ this _____ day of _____, _____.

Per: _____
Authorized Signatory of Merchant

Type full legal name of Merchant

Type full legal name of Authorized Signatory of Merchant

Phone number and e-mail of Authorized Signatory of Merchant

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 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.

**WESTERN BARLEY
WARRANT**
(Third Party Delivery)

(NOTE: THIS WARRANT IS IN TWO PARTS AND IS NOT PROPERLY COMPLETED UNLESS BOTH PARTS OF THE WARRANT ARE COMPLETED AND EXECUTED BY THE REQUIRED PARTIES. THE WARRANT WILL NOT BE ACCEPTED UNLESS IT IS COMPLETED IN FULL)

Net Tonnes _____
Issue Date _____

PART 1 – to be completed by Merchant Participant

The Undersigned Merchant Participant (type full legal company name)
_____(the "Merchant")

Certifies to Winnipeg Commodity Exchange Inc. (herein "WCE" or the "Exchange") that:

- 1) it controls or has available the commodity noted above;
- 2) the commodity is located in a region for "Free on Board" (F.O.B.) delivery against Western Barley Futures Contracts;
- 3) it will make the commodity available at the grade standard, quantity and quality required by the contract and effect shipment upon demand by the holder of Delivery Certificates to such holder when the Delivery Certificate (s) are assigned to this Warrant by the Exchange, in the manner prescribed in the WCE Rules;
- 4) it will effect shipment and perform all necessary and ancillary obligations in the manner prescribed in the WCE Rules; and
- 5) it has entered into a written services agreement with the Beneficial Owner of the commodity, _____ (type out full legal name of the Beneficial Owner) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever, b) the commodity is of the quality and quantity as required by the WCE Rules in an accessible location within a delivery region, c) the Beneficial Owner has the ability to load rail cars, d) the Beneficial Owner has provided the Merchant with the required indemnification pursuant to WCE Rules; e) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

The Merchant acknowledges and agrees that all issues relating to the commodity including, but not limited to, grade standard, quality, quantity, ownership and title and all other ancillary matters are the sole responsibility of the Merchant.

The Merchant acknowledges and agrees that this Warrant constitutes an actionable obligation of the Merchant to WCE, for shipment of the commodity as and when directed and instructed by the Exchange, and the Merchant shall be liable for all damages as set out in the Rules of WCE.

Dated at the city/town of _____, in the Province of _____ this _____ day of _____, _____.

Type full legal name of Merchant

Per: _____
Authorized Signatory of Merchant

Phone number and e-mail of Authorized Signatory of Merchant

Type full legal name of Authorized Signatory of Merchant

PART 2 – to be completed by Beneficial Owner of Commodity

The undersigned Beneficial Owner of the commodity _____(the Beneficial Owner”) hereby certifies to Winnipeg Commodity Exchange Inc. (herein “WCE” or the “Exchange”) that;

- 1) it holds a short futures position that corresponds to the quantity and contract commodity as set out in this Warrant;
- 2) its WCE Clearing Corporation (“WCECC”) Clearing Participant is _____ (type full legal name of WCECC Clearing Participant)
- 3) it has entered into a services agreement with _____ (type full legal name of Merchant Participant) which states, inter alia, that a) the commodity is owned by the Beneficial Owner and is free and clear of any liens, encumbrances and security interests of any kind whatsoever by the Beneficial Owner, b) the commodity is of the quality and quantity required by the WCE Rules in an accessible location within a delivery region, c) the Beneficial Owner has the ability to load rail cars, d) the Beneficial Owner has provided the Merchant with the required indemnification pursuant to WCE Rules; e) the Merchant and the Beneficial Owner will be executing this Warrant as required by the WCE Rules.

To ensure the performance of its obligations, the undersigned Beneficial Owner hereby transfers, assigns and sets over to the Exchange all right, title and interest in and to the commodity. The Beneficial Owner represents and warrants to the Exchange that the commodity is free and clear of any liens, encumbrances and security interests of any kind whatsoever. This transfer will take effect, without further notice or documentation, immediately upon presentation by the Clearing Participant of the Beneficial Owner of the Delivery Certificates to the buyer(s) and the receipt by the Clearing Participant of the Beneficial Owner of the monies required to be paid from the buyer(s).

The undersigned Beneficial Owner acknowledges and agrees that this Warrant creates an actionable obligation and that if any of the certified statements are incorrect, the Beneficial Owner shall be liable in damages to the WCE, the Merchant or both.

Dated at the city/town of _____ in the Province of _____ this _____ day of _____, _____.

Type full legal name of Beneficial Owner

Signature of Beneficial Owner

Type name of witness to the Beneficial Owner

Signature of witness to the Beneficial Owner

(NOTE: In executing this Warrant, a company should affix the corporate seal over the signatures of its authorized signatory or signatories. A non-corporate party should execute the warrant and have his or her signature witnessed by an adult who signs as witness to the signature.)

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 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.

**WESTERN BARLEY
DELIVERY CERTIFICATE**

Issued pursuant and subject to the By-law and Rules
of Winnipeg Commodity Exchange Inc.

Dated, Winnipeg _____

NO.

NET TONNES

This is to certify that Winnipeg Commodity Exchange Inc. ("WCE") holds Western Barley Warrant(s) from a Company(ies) registered as a Merchant(s) Participant on WCE.

The Barley will be shipped to the order of _____
(full legal name)

pursuant to the By-laws and Rules of WCE.

The Barley represented by this Certificate shall be shipped only upon the surrender of this Certificate, properly endorsed, in the manner prescribed in the WCE Rules.

WCE shall not be responsible for any loss or damage which may be suffered or incurred by any entity by reason of the failure of the warrant issuer to ship out or deliver the quantity and/or deliverable grade of Barley called for.

Winnipeg Commodity Exchange Inc.

Per: _____

Per: _____

THIS DOCUMENT IS NOT TRANSFERABLE OR ASSIGNABLE

The undersigned holder hereby surrenders this
Delivery Certificate to WCE:

DATED _____

SIGNED _____

(type name of authorized signatory)

WESTERN BARLEY FUTURES CONTRACT DELIVERY REGIONS AND NON-PAR PRICE DIFFERENTIALS

The boundary of each region is defined by the centre line and intersection of centre lines of stated highways, provincial borders and national borders. Consequently, a town located on a highway may have differing discounts depending on the location of that highway. The towns and cities are only used as terms of reference.

Province of Alberta

- REGION A1** \$13.00 per metric tonne. This region's southern boundary is the United States border. The western boundary is the Alberta/British Columbia border. The northern boundary is the township line between the 16th and 17th townships (5th base line). The eastern border is defined by the range line between the 8th and 9th ranges. (NOTE: This Region includes delivery at Lethbridge, other than at the buyer's facility)
- REGION A2** \$13.00 per metric tonne. This region's southern boundary is the 5th base line from the Alberta/British Columbia border to the range line between the 8th and 9th ranges. The boundary continues south along the range line to the United States border and then east to the Alberta/Saskatchewan border. The eastern boundary is defined by the Alberta/Saskatchewan border from the United States border north to Highway 321. The western boundary is the Alberta/British Columbia border and east edge of Banff National Park between the 5th base line and the township line between the 32nd and 33rd townships. The northern boundary is Highway 27 from Sundre to Trochu, Highway 9 to Oyen and Highway 41 south to Highway 321.
- REGION A3** \$19.00 per metric tonne. This region's northern boundary extends from the edge of Banff National Park east along Highway 11 to Rocky Mountain House. The border continues north along Highway 22 to the township line between the 42nd and 43rd townships. The boundary follows the township line east to the intersection of Highway 13 and then follows Highway 13 east to the Alberta/Saskatchewan border. This region's eastern boundary is the Alberta/Saskatchewan border. The region's southern border is Highway 27 from Sundre to Trochu, Highway 9 to Oyen and Highway 41 south to Highway 321, then east to the Alberta/Saskatchewan border.
- REGION A4** \$25.00 per metric tonne. This region's northern boundary extends from the edge of Banff National Park east along Highway 16 to the intersection of Highway 32. The northern border continues north to the township line between the 54th and 55th townships where the boundary follows this line east to Highway 15 at Fort Saskatchewan. The boundary continues east along Highways 15 and 16 to the Alberta/Saskatchewan border. This region's eastern boundary is the Alberta/Saskatchewan border between Highway 16 and 13. This region's southern boundary extends from the edge of Banff National Park east along Highway 11 to Rocky Mountain House continuing north along Highway 22 to the township line between the 42nd and 43rd townships. The boundary follows the township line east to the intersection of Highway 13 and then follows Highway 13 east to the Alberta/Saskatchewan border.
- REGION A5** \$30.00 per metric tonne. This region's northern boundary is the 17th base line. The eastern boundary is defined by the Alberta/Saskatchewan border from the south edge of Cold Lake to Highway 16. This region's western boundary is the edge of Banff National Park, Willmore Provincial Park and the Alberta/British Columbia border from Highway 16 north to the 17th base line.

- REGION A6 \$38.00 per metric tonne. This region is bordered by the 22nd base line to the north and the 17th base line to the south. The eastern boundary is the Alberta/Saskatchewan border. The western boundary is determined by the Alberta/British Columbia border south of Highway 2. North of Highway 2 the western boundary is determined by Highway 97 in British Columbia to Fort St. John. From Fort St. John the western boundary is defined by the road from Fort St. John through Cecil Lake to Highway 64 at the Alberta/British Columbia border.
- REGION A7 \$45.00 per metric tonne. This region is the remaining province of Alberta north of the 22nd base line and the area in British Columbia known as the Peace River District that is not included in the region A6.

Province of Saskatchewan

- REGION S1 \$21.00 per metric tonne. This region western boundary is the Alberta/Saskatchewan border from near Macklin, Sk south to the United states border. The northern border of this region is Highway 14 from the Alberta/Saskatchewan border through Unity and Biggar to the intersection of Highway 4. This region's eastern boundary is Highway 4 from Biggar south to the United States border. The southern boundary is the United States border.
- REGION S2 \$27.00 per metric tonne. This region's western boundary is the Alberta/Saskatchewan border between Highway 14 and Highway 55 as well as Highway 14 through Unity and Highway 4 from Biggar south to the United States border. The eastern border is comprised of Highways 2 and 36 south of Moose Jaw and north on Highway 2 to Prince Albert. The northern boundary is set by Highway 3 west of Prince Albert to Shellbrook and Highway 55 from Shellbrook to the Alberta/Saskatchewan border. This region's southern boundary is the United States border.
- REGION S3 \$33.00 per metric tonne. This region western boundary is determined by Highway 2 north of Moose Jaw and Highway 36 and 2 south of Moose Jaw. The eastern boundary is determined by the Manitoba/ Saskatchewan border. The northern border of this region is Highway 355 going east from Highway 2 until Highway 55. From Highway 55 east to the Manitoba/Saskatchewan border. The southern portion of this region is bounded by the United States border.

Province of Manitoba

- REGION M1 \$33.00 per metric tonne. This region is the province of Manitoba south of the line determined by the 11th base line from the Manitoba/Saskatchewan border east to Highway 6. The boundary continues south along Highway 6 to the intersection of Highway 68, then east along Highway 68 to Lake Winnipeg. The northern boundary continues on the eastern side of Lake Winnipeg along Highways 11 and 44 to the Manitoba/Ontario border.

**APPLICATION FOR AUTHORIZATION
TO ISSUE WARRANTS FOR WESTERN BARLEY
FUTURES CONTRACTS**

Application is hereby made for authorization to issue Warrants in accordance with the By-law and Rules of Winnipeg Commodity Exchange Inc. ("WCE" or "the Exchange") for delivery as required under Western Barley Futures Contracts.

Upon authorization by the Exchange, notwithstanding anything contained in the By-law and Rules of the Exchange regarding reporting requirements, payment of fees or other requirements, the Merchant Participant (called the "Merchant") shall continue to be bound by this commitment until released, in writing, from the Exchange.

The effective date for termination of the Merchant's commitment shall be determined by the Risk Management Committee following the receipt by the Exchange of a written application submitted by the Merchant. The Risk Management Committee shall authorize such termination subject to such terms and conditions as it may prescribe. Provided, however, that the date of termination shall not be earlier than two (2) calendar months after the delivery against the last outstanding warrant.

Conditions of Authorization

The Merchant agrees to the following conditions and agrees and acknowledges that the breach or non-fulfillment of any of the said conditions may result in the loss of privileges to issue Warrants:

a. The Merchant shall:

- (1) not issue Warrants for an amount greater than that permitted in the Rules;
- (2) notify the Exchange immediately of any material change in the operations, or the conditions, or management of its business;
- (3) make such reports, keep such records, and permit such delivery location visitations as required by the Exchange;
- (4) comply with all applicable By-laws and Rules of the Exchange;
- (5) be a company registered with the Exchange as a Merchant Participant in the category of Barley only;
- (6) be licensed as a Grain Dealer with the Canadian Grain Commission;
- (7) ensure that all Warrants, as issued by the Merchant and tendered in satisfaction of Western Barley Futures Contracts, shall represent actual stocks of contract deliverable grades of barley owned or controlled by the Merchant or available for shipment pursuant to a written agreement with a customer and located within a region for delivery against Western Barley Futures Contracts;
- (8) ensure that all such Warrants will be registered with the Exchange;

- (9) fulfill the duties and obligations of a Merchant as set forth in this agreement and in the By-law and Rules of the Exchange;
- (10) abide by the By-law and Rules of the Exchange applicable to the issuance of these Warrants, and to the loading and shipment of the physical barley;
- (11) provide facilities in Winnipeg for splitting, cancellation, re-issuance or consolidation of Warrants and Delivery Certificates as may be subsequently required;
- (12) when acting as agent, to be responsible for the fulfillment of the contract by the customer and to ensure that such customer:
 - (i) is the beneficial owner of the quality and quantity of barley in an accessible location within a delivery region(s) as represented by the open short futures position;
 - (ii) has the ability to load rail cars;
 - (iii) has established an irrevocable letter of credit payable to the Merchant, representing 125% of the settlement price of the deliverable contract; and
 - (iv) has provided the Merchant with a written agreement, confirming the contractual requirements stated above and accepting responsibility to perform on such Warrants issued on such customer's behalf;
- (13) be subject to the Exchange's By-law and Rules pertaining to arbitration procedures, disciplinary procedures; and to abide by and perform any disciplinary decision imposed upon it or any arbitration award issued against it pursuant to such By-law and Rules;
- (14) consent to the disciplinary jurisdiction of the Exchange for five (5) years after authorization ceases for conduct which occurred when the Merchant was authorized under this commitment; and
- (15) provide the Exchange with all information as may be required with respect to this commitment and the Western Barley Futures Contract Rules.

The Exchange may cancel its authorization of the Merchant for the purpose of issuing Warrants for Delivery of Western Barley Futures Contracts for any breach of aforesaid agreements or the By-law and Rules of the Exchange.

Dated at _____ this _____ day of _____ , _____

 (Merchant Participant)

 Per: Authorized Signatory

 (Name and Title of Authorized Signatory)