

THE COMMODITY FUTURES ACT) Order No. 3561
)
Subsections 14(1), 15(1) and 16(1)) October 31, 2001

WINNIPEG COMMODITY EXCHANGE INC.
& WCE CLEARING CORPORATION

WHEREAS:

(A) Winnipeg Commodity Exchange (the "Exchange") has applied to The Manitoba Securities Commission (the "Commission") pursuant to Subsections 14(1), 15(1) and 16(1) of *The Commodity Futures Act*, S.M. 1996, c. 73 C152 (as amended) (the "Act") for an order that:

- (i) Winnipeg Commodity Exchange Inc. ("WCE Inc.") be recognized as a self-regulatory organization ("SRO") pursuant to Subsection 14(1) of the Act;
- (ii) WCE Inc. be registered as a commodity futures exchange in Manitoba pursuant to Subsection 15(1) of the Act;
- (iii) WCE Clearing Corporation ("WCECC") be designated as the clearing house for WCE Inc. pursuant to Subsection 16(1) of the Act.

(B) It has been represented to the Commission by the Exchange that:

1. The Exchange is currently recognized by the Commission as a SRO pursuant to Subsection 14(1) of the Act and is registered as a commodity futures exchange pursuant to Subsection 15(1) of the Act;
2. WCECC is currently designated as the clearing house for the Exchange pursuant to Subsection 16(1) of the Act;
3. The Exchange is currently undergoing a demutualization process, whereby the Exchange is being transformed from a not-for-profit, membership based organization into a for-profit, share capital corporation (the "Demutualization") effective November 1, 2001 (the "Implementation Date").
4. In order to implement the Demutualization, *The Winnipeg Commodity Exchange Restructuring Act* (Manitoba) (the "Amending Legislation") has been enacted to facilitate the Exchange's charter being continued as a share capital, for profit corporation named WCE Holdings Inc. ("Holdings") under *The Corporations Act* (Manitoba) and the current governing statute, *The Winnipeg Commodity Exchange Act* (Manitoba) will be repealed effective the Implementation Date.

5. Upon the Demutualization being effective:

(a) The Amending Legislation provides that all existing membership rights and interests in the Exchange will be exchanged/converted into shares of Holdings;

(b) All exchange related assets of Holdings will be transferred by Holdings to its wholly owned subsidiary WCE Inc.;

(c) WCECC will be continued as a share capital corporation under *The Corporations Act(Manitoba)* and will be wholly owned by Holdings Inc.

6. After Demutualization, trading privileges, privileges relating to the registration of elevators for delivery against the futures contracts and to eligibility to issue warrants and/or receive reduced transaction charges will be contractual rights extended to four categories of participants ("Participants") by WCE Inc. and will not be conditional upon the Participant having any equity interest in Holdings. Participant status provides the Participant with the right to conduct the activities permitted by the class and category or registration, within the provisions of WCE Inc.'s rules (the "Rules"). The categories of Participants are as follows:

1. Trading Participants;
2. Sponsored Participants;
3. Merchant Participants; and
4. Ancillary Participants.

7. After Demutualization Clearing privileges will be contractually based and extended to current WCECC clearing members and any other entities, which apply and meet the eligibility criteria ("Clearing Participants").

8. As a result of the Demutualization and in order for the Exchange's operations to continue without interruption, WCE Inc. is required to become recognized by the Commission as a SRO pursuant to Subsection 14(1) of the Act and be registered as a commodity futures exchange pursuant to Subsection 15(1) of the Act effective upon the Implementation Date.

9. With respect to WCECC, the Demutualization will result in no substantive changes to the Rules of WCECC, apart from the concept of "membership" being replaced with "participant".

10. Holdings and WCE Inc. each have the capacity to carry out the purposes of all governing laws and rules and its own rules and will be able to and shall enforce compliance by Participants and their employees with those laws, rules and regulations;

11. WCE Inc. undertakes to the Commission that it shall:

- (a) treat all Participants and applicants for Participant status in the markets in a fair and consistent manner;
- (b) consistently and on an ongoing basis develop and amend rules that are designed to set standards of behaviour for all Participants and to promote the protection of the marketplace, including all Participants in the marketplace;
- (c) submit to the Commission its rules for review and approval as the Commission deems appropriate and will continue to ensure that all of its rules are consistent with the public policy directives established by the Commission;
- (d) co-operate in all ways with the Commission which will include the sharing of information with the Commission and its staff and with any other SROs designated under the Act by the Commission engaged in the regulation of commodities;
- (e) enforce all of its rules and impose appropriate disciplinary sanctions for non-compliance;
- (f) promptly advise the Commission when there is reason to believe that there has been any misconduct or fraud by a Participant;
- (g) promptly advise the Commission when matters of regulatory importance arise; and
- (h) ensure that adequate resources are available for WCE Inc. to meet its regulatory obligations as an exchange and SRO under the Act.
- (i) avoid adopting rules that will create uncompetitive situations; and
- (j) avoid using its SRO status to allow any market participant to unfairly gain advantage in the market.

12. WCECC undertakes to the Commission that it shall:

- (a) treat all Clearing Participants and applicants for Clearing Participant status in the markets in a fair and consistent manner;

(b) consistently and on an ongoing basis develop and amend rules that are designed to set standards of behaviour for all Clearing Participants and to promote the protection of the marketplace, including all Participants in the marketplace;

(c) submit to the Commission its rules for review and approval as the Commission deems appropriate and will continue to ensure that all of its rules are consistent with the public policy directives established by the Commission;

(d) co-operate in all ways with the Commission which will include the sharing of information with the Commission and its staff and with any other SROs designated under the Act by the Commission engaged in the regulation of commodities;

(e) promptly advise the Commission when there is reason to believe that there has been any misconduct or fraud by a Participant;

(f) promptly advise the Commission when matters of regulatory importance arise;

(g) enforce all of its rules and impose appropriate disciplinary sanctions for non-compliance; and

(h) avoid adopting rules that will create uncompetitive situations.

(C) The Commission is of the opinion that it is in the public interest to grant the order requested.

IT IS ORDERED:

1. THAT, effective the Implementation Date, for an interim period up to and including January 31, 2002:

(i) WCE Inc. be recognized as a self-regulatory organization pursuant to Subsection 14(1) of the Act;

(ii) WCE Inc. be registered as a commodity futures exchange in Manitoba pursuant to Subsection 15(1) of the Act;

(iii) WCECC be designated as the clearing house for WCE Inc. pursuant to Subsection 16(1) of the Act.

BY ORDER OF THE COMMISSION

DIRECTOR