



December 20, 2012

Regulatory Compliance Notice to Customers

Dear NGX Customer:

NGX advised you on October 5, 2012 (the “October Notice”) of anticipated changes to its business as a result of evolving U.S. regulation and implementation of the Dodd-Frank Consumer Protection and Wall Street Reform Act (the “DFA”). Since October 5, 2012, implementation of U.S. regulatory reform has further evolved. NGX takes this opportunity to reiterate its plans relating to new and upcoming U.S. regulations and to clarify aspects of the October Notice.

NGX is regulated by the Alberta Securities Commission (“ASC”) as a Recognized Exchange and a Recognized Clearing Agency and by the U.S. Commodity Futures Trading Commission (“CFTC”) as a Derivatives Clearing Organization (“DCO”) and currently as an Exempt Commercial Market (“ECM”). This regulatory structure enables both Canadian and U.S. entities to access directly NGX’s markets and clearing services.

NGX is transitioning from its status as an ECM, which is being eliminated under the provisions of the DFA, to a registered Foreign Board of Trade (“FBOT”). NGX’s application for registration as an FBOT is pending before the CFTC and is under active review. CFTC staff No-Action Letter No. 12-57, dated December 18, 2012, confirms that during this transition, transactions executed on NGX need not be included in calculation of the aggregate gross notional amount of swaps connected with a person’s swap dealing activity for purposes of Commission Regulation 1.3 (ggg)(4). NGX customers will see few, if any changes, in the operation of NGX as a result of this transition. The specific impact of this transition and the planned changes outlined in the October Notice, with some modifications as described below, are as follows:

NGX Exchange

NGX Futures:

Currently NGX products are regulated in Canada as futures contracts, or a subset called exchange contracts and, because NGX operates as an ECM, until now have been uncategorized for U.S. regulatory purposes. NGX has represented that the products included in its FBOT application are “futures contracts” for U.S. regulatory purposes. NGX is formally identifying all of NGX’s Canadian cleared products as “Futures” in its rules (i.e. the CPA), on its trading platform and clearing house for ease of reference and to more clearly reflect their regulatory treatment. Once NGX becomes registered as an FBOT, its cleared products will be “Foreign Futures” under the U.S. regulatory framework and will maintain their current status under



Canadian regulations. Accordingly, NGX will formally name these products as “Futures” and denote that they must be cleared. For clarity, we will distinguish “physically settled futures” (natural gas and crude oil) from “financial futures” (power and natgas). We will provide an exact date of this action in a separate notice. You, our customer, should notice no other change.

NGX Forwards:

Forwards under U.S. regulations are contracts which are transactions for deferred shipment or delivery and that are intended to be physically settled. NGX has traditionally referred to these contracts as “Bilaterals”. NGX provides a facility for the matching of NGX forward contracts in physical crude oil products and Canadian natural gas. Subject to ICE agreeing, Forward contracts will be listed in a separate pricing stack from futures and will not be included in the Futures central limit order book (“CLOB”). Matched forward contracts will not be automatically forwarded by NGX to NGX clearing house for clearing. However, market participants, if they subsequently agree, may choose to submit their forward contracts to NGX via an Exchange of a Futures for a Related Product (“EFRP”) for clearing.

Forwards for U.S. natural gas are traded on the ICE trading platform. Subject to regulatory approval, NGX customers, in order to obtain the best execution, will be offered the choice of entering orders that enable bids or offers for ICE forwards to be matched opposite a bid or offer for an NGX U.S. natural gas futures product. If such an order matches opposite an order for an ICE forward, the contract will not be automatically forwarded to NGX for clearing. But, if the order is matched with a bid or offer for an NGX U.S. natural gas futures product, then the transaction automatically will be forwarded to NGX for clearing as a futures contract.

Options

Options give the owner, for consideration known as a premium, the right, but not the obligation, to purchase (sell) an interest at a specified price within, or at, a specified future time. NGX offers trading of options on futures products. Subject to ICE agreeing, NGX will list for trading options on its AB-NIT Fixed for Floating 7a Financial Futures Swap. Large-sized transactions may be entered into off-market and submitted as Block Trades via the ICEBlock front end or through verbal instructions to NGX personnel.

Block Trades

Block trades are bi-laterally arranged futures contracts that are entered into subject to the rules of NGX and, once reported to the exchange, submitted for clearing. Block trades must be conducted in conformity with the rules (i.e. the Contracting Party’s Agreement (“CPA”) of NGX). Block trades may be reported to NGX using the ICEBlock front end or by verbal instructions to NGX personnel.



NGX Clearing Facility & DCO

Futures contracts executed on NGX are, and NGX plans that they continue to be, cleared on NGX DCO.

NGX provides clearing services for several of ICE's physical OTC Natgas hubs in the U.S ("ICE Forwards"). ICE Forward contracts will be accepted for clearing by NGX clearing house if submitted by the counterparties to the transaction via an NGX EFRP and cleared as futures. Such transactions may be submitted either via the ICEBlock front end or by Verbal Instructions to NGX personnel. As mentioned above, transactions in U.S. natural gas that execute as NGX futures under a "clearing enabled" order will be forwarded automatically to NGX for clearing.

NGX clearing house will also accept for clearing through an NGX EFRP, Natgas and Oil Forwards and Financial Natgas and Financial Power OTC transactions, that are executed bilaterally. OTC financial products that are transacted bilaterally are considered to be swaps. Following the submission of such Forwards and OTC (financial) Swaps as an EFRP to NGX, these transactions will be cleared as Futures by NGX clearing house. NGX clearinghouse requirements, including acceptable forms of collateral (letters of credit and cash), margin offsets, and other clearing obligations will largely remain unchanged.

Broker Executed Block Trades and Other Bilateral Transactions

Brokers are currently, and will continue to be, able to execute bilaterally Financial Power, Physical and Financial Natgas and Physical Crude Oil contracts which are subsequently submitted for clearing via an NGX EFRP transaction.

Broker facilitated or bilateral financial transactions executed as a bilateral swap (often under NAESB, ISDA or similar documentation) can be transmitted to NGX and presented for clearing via an EFRP. Once accepted, the transactions will clear as an NGX Future.

Forwards:

Broker facilitated or bilateral Forwards can also be transmitted to NGX and presented for clearing via an EFRP. Once accepted, the transactions will clear as an NGX Futures.

Broker Licensing Requirements:

Brokers that accept or solicit orders for Futures (or Swaps) on behalf of U.S. persons but do not accept customer funds or property to support those orders must register with the CFTC, through the National Futures Association ("NFA"), as Introducing Brokers ("IB"). Those individuals that solicit or accept customer orders (other than in a clerical capacity) and their supervisors, must register as Associated Persons ("AP"). APs must have passed the CFTC Series 3



proficiency exam, among other requirements. However, APs of IBs that introduce only swap transactions are not required to demonstrate their proficiency by taking and passing the National Commodities Futures Exam (Series 3). IBs that deal with the public are also required to become NFA members.

IBs must submit their applications for registration to NFA by December 31, 2012. Applicants for IB registration will then have until March 31, 2013 to file the required financial information with the NFA. Please see: <http://www.nfa.futures.org/> for more information on NFA's broker registration requirements.

Speculative Position Limits:

Currently, contracts listed for trading on NGX or cleared by NGX clearing house are not subject to U.S. position limits.

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NGX believes that these clarifications and the planned changes will ensure that NGX remains fully compliant through DFA implementation. In addition, we believe that the above changes should have minimal impact on our customers and thus provide the best opportunity to ensure that liquidity is maintained through the transition. NGX remains committed to providing fair, open and efficient markets for our customers wishing to transact in structured regulated market places.

If you have any questions on this matter please call Gary Gault 403-974-1707 (VP Marketing), Steve Lappin 403-974-4308 (VP Clearing), or Cheryl Graden 416-947-4359 (Chief Legal Counsel).