



May 2, 2013

Regulatory Compliance Notice to Customers

Dear NGX Customer:

This is to advise you of a change in NGX's regulatory status in the U.S. NGX today completed its transition from its status as an Exempt Commercial Market ("ECM") to that of registered Foreign Board of Trade ("FBOT").

NGX advised you on December 20, 2012 (the "December Notice") of anticipated changes to its business as a result of implementation of the Dodd-Frank Consumer Protection and Wall Street Reform Act (the "DFA"). In light of their impending implementation, NGX takes this opportunity to reiterate those changes and their possible effect on NGX's Customers.

NGX's regulatory structure enables both Canadian and U.S. entities to access directly NGX's markets and clearing services. NGX is regulated by the Alberta Securities Commission ("ASC") as a Recognized Exchange and a Recognized Clearing Agency. None of the impending changes in U.S. regulatory status will affect NGX's regulatory status in Canada.

NGX until its registration as an FBOT operated in the U.S. as an ECM. The Dodd-Frank Act eliminated the regulatory status of ECM and following today's approval by the U.S. Commodity Futures Trading Commission ("CFTC"), NGX will operate as a registered FBOT. NGX customers will see relatively minor changes in the operation of NGX as a result of this transition.

NGX also is registered by the CFTC as a Derivatives Clearing Organization ("DCO"). As part of this transition, the CFTC issued an amendment to NGX's Order of Registration as a DCO on March 20, 2013. This change makes clear that NGX's clearinghouse is authorized to clear transactions executed on NGX when operating as an FBOT. There will be no operational changes to clearing as a result of this amendment.

As explained below, now that NGX is registered as an FBOT, contracts traded on NGX will be clearly classified as "Futures" under U.S. law. The specific impact of the implementation of this transition was explained in NGX's December Notice and is reiterated below for your convenience.



NGX Exchange

NGX Futures:

For ease of reference and to more clearly reflect their regulatory treatment in conjunction with registration as an FBOT, 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. With its registration as an FBOT, NGX is formally naming these products as "Futures" and denoting that they must be cleared. For clarity, NGX is distinguishing "physically settled futures" (natural gas and crude oil) from "financial futures" (power and natgas). NGX customers should notice no operational change as a result of these naming clarifications.

NGX Forwards:

NGX provides a facility for the matching of NGX forward contracts (traditionally referred to as "bilaterals" by NGX) in physical crude oil products and Canadian natural gas. Forward contracts in these products will be listed in a separate pricing stack 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, but market participants may subsequently and separately agree to submit their forward contracts to NGX for clearing via an Exchange of a Futures for a Related Product ("EFRP").

Uncleared forwards for U.S. natural gas are traded bilaterally on the ICE trading platform ("Bilateral Natgas Markets"). Market participants are able to post and lift market orders that are designated as clearing enabled within the same stack (trading screen) as the Bilateral Natgas Markets ("Clearing Enabled Orders"). With the registration of NGX as an FBOT, if Clearing Enabled Orders are matched, such transactions will be designated as Futures contracts, and novated to NGX for clearing. All other transactions matched on the Bilateral Natgas Markets will remain as ICE forward transactions.

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.

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. With exception of those products that meet the aforementioned block trade requirements, OTC financial products that are transacted bilaterally are considered to be swaps under U.S. regulations. The parties to the bilaterally-traded swaps should acquaint themselves with regulatory requirements that apply to trading such contracts. Following the submission of such OTC (financial) Swaps as an EFRP to NGX, these transactions will be cleared as Futures by NGX clearing house.

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 and separately submitted for clearing via an NGX EFRP transaction. Once accepted, the transactions, whether considered to be an OTC Swap, block trade or a Forward will clear as a Future.

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

IBs were required to have submitted their applications for registration to NFA by December 31, 2012. 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 changes should have minimal impact on our Customers and comply fully with the requirements of the Dodd-Frank Act. 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 Blair McDermid 403-974-1718 (Marketing), Rob MacDonald 403-974-4304 (Marketing), Steve Lappin 403-974-4308 (VP Clearing), or Cheryl Graden 416-947-4359 (Chief Legal Counsel).