



## NOTICE

### OTC Transaction Tagging on NGX Reports Post Implementation of NGX Foreign Board of Trade Registration

**To:** All Market Participants

**Date:** February 14, 2013

**From:** Natural Gas Exchange Inc.

#### Tagging of Trades from OTC Matching Facilities for Clearing on NGX

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##### Introduction

The exchange notice advises counterparties of transaction tagging that will be required for trades executed on over-the-counter (OTC) matching facilities and subsequently submitted for clearing on Natural Gas Exchange Inc. (NGX). Transactions within OTC markets may be executed as swaps, forwards or block futures. All non-block futures transactions submitted to NGX for clearing will clear as futures through the Exchange for Related Products (EFRP) process.

To provide further clarity, all block futures submitted to NGX will transact as futures off-of the NGX trading platform and clear as futures on NGX. Transactions that do not meet the minimum block size for financial products, or those transactions that are intended solely for physical delivery, will be submitted to the NGX Foreign Board of Trade through the an exchange of futures for swap (EFS) or exchange of futures for physical (EFP) respectively, to be subsequently cleared as futures on NGX.

##### Why are the OTC Trades Tagged?

It is important for counterparties to easily discern the source of their transactions cleared on the NGX Derivative Clearing Organization (DCO). NGX counterparties will be able to easily discern whether futures cleared by NGX DCO, were executed initially as block futures, swaps or physical forwards as an aid to regulatory compliance. See Figure 1 below.

Figure 1 – NGX Trades Report

Date Time	Company Name	Trader	Trade Type	Reg Type	Cleared	Market	Contract Description	Begin Date	End Date	Buy/Sell	Traded Volume	Total Volume	Price	Price Unit	Platform Id	Trade Id	Broker	Aggr	Spr/Strad	RFQ	Index Flag
30-Jan-2013 12:41:33			Normal	FUT	Yes	NGX Phys, FP (CA/GJ), AB-NIT	Same Day	30-Jan-13	30-Jan-13	Buy	5,000	5,000	\$2.8825 CAD	GJ	ICE	178866887		No	No	No	
30-Jan-2013 10:03:43			Normal	FUT	Yes	NGX Phys, FP (CA/GJ), AB-NIT	Same Day	30-Jan-13	30-Jan-13	Buy	10,000	10,000	\$2.8800 CAD	GJ	ICE	207908376		No	No	No	
30-Jan-2013 10:49:26			OTC	EPF	Yes	NGX Fin FF, FP for AESO Flat, (CA/MWh), Alberta	Jul13	01-Jul-13	31-Jul-13	Sell	-5	-3,720	\$64.0000 CAD	MWh	ICE	90093640		Yes	No	No	Excluded
30-Jan-2013 10:49:26			OTC	EPF	Yes	NGX Fin FF, FP for AESO Flat, (CA/MWh), Alberta	Jul13	01-Jul-13	31-Jul-13	Buy	5	3,720	\$64.0000 CAD	MWh	ICE	90093640		No	No	No	Excluded
31-Jan-2013 09:04:40			OTC	BLK	Yes	NGX Fin FF, FP for AESO Flat, (CA/MWh), Alberta	Aug13	01-Aug-13	31-Aug-13	Sell	-5	-3,720	\$65.5000 CAD	MWh	ICE	90097356		Yes	No	No	Excluded
31-Jan-2013 09:04:40			OTC	BLK	Yes	NGX Fin FF, FP for AESO Flat, (CA/MWh), Alberta	Aug13	01-Aug-13	31-Aug-13	Buy	5	3,720	\$65.5000 CAD	MWh	ICE	90097356		No	No	No	Excluded

Date Time	Company Name	Trader	Trade Type	Reg Type	Cleared	Market	Contract Description	Begin Date	End Date	Buy/Sell	Traded Volume	Total Volume	Price	Price Unit	Platform Id	Trade Id	Broker	Aggr	Spr/Strad	RFQ	Index Flag
30-Jan-2013 12:52:35			OTC	EPS	Yes	NGX Fin BS, LD1 for GD, (US/MM), Henry	M-Feb 13	01-Feb-13	28-Feb-13	Sell	-500	-14,000	\$0.0500 USD	MMbtu	NGX	14390		No	No	No	Excluded
30-Jan-2013 12:52:35			OTC	EPS	Yes	NGX Fin BS, LD1 for GD, (US/MM), Henry	M-Feb 13	01-Feb-13	28-Feb-13	Buy	500	14,000	\$0.0500 USD	MMbtu	NGX	14390		No	No	No	Excluded
31-Jan-2013 07:31:06			Normal	FWD	No	NGX Phys, FP (CA/GJ), AB-NIT	Same Day	31-Jan-13	31-Jan-13	Buy	10,000	10,000	\$2.8750 CAD	GJ	ICE	50034879		Yes	No	No	Excluded

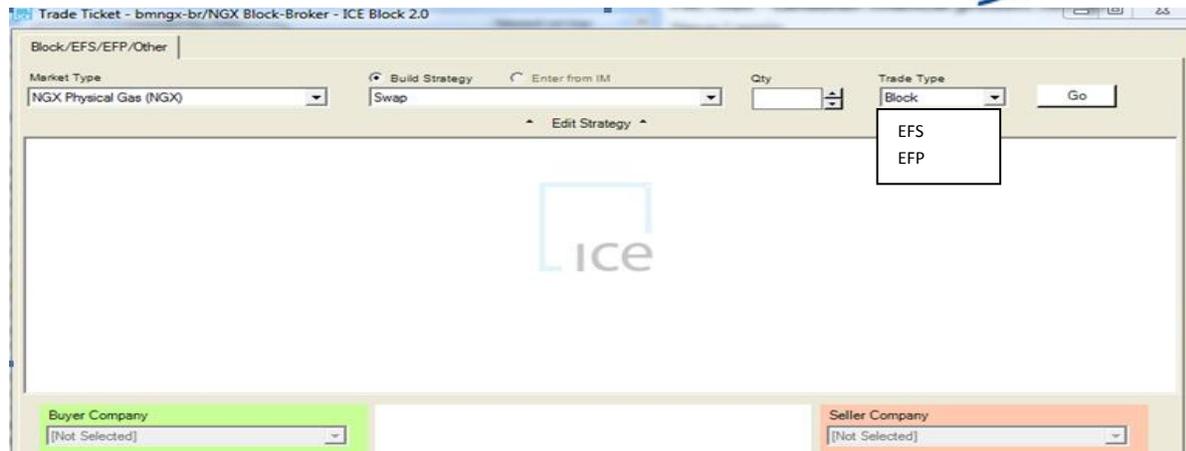
Counterparties will have the ability to run these reports based on the OTC transaction classification.

It is important to note that these trade classifications may be available within the reports prior to formal NGX FBOT registration.

### How Will this Impact Input by the Broker Community?

Brokers representing OTC transaction facilities will be required to tag the trades as they are submitted to the NGX DCO for clearing. Brokers will be required to tag the respective trade within ICEBlock or advise the agent who is inputting the trade to the DCO on behalf of the counterparties. The ICEBlock entry screen has the following options as noted within Figure 2 noted below.

Figure 2 – ICE Block



## Background

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.

## Impact of Transition to Foreign Board of Trade

On December 5, 2012, the CFTC adopted final rules imposing formal registration and other requirements on foreign exchanges (FBOTS) that allow persons in the United States to directly access the FBOT’s electronic trading and order matching system for futures, options and CFTC regulated swaps.

One of the requirements for registration as an FBOT is that all contracts that an FBOT makes available for trading by direct access in the United States will be subject to a clearing requirement. Rule 48.7(c)(1)(ii). As a result effective on the date of registration of NGX as a FBOT, all orders within the FBOT will be categorized for U.S. regulatory purposes as foreign futures and subject to the clearing requirement. (In addition, NGX will continue to operate through its trading platform a matching facility for forward contracts. Such forward contracts will not be cleared; they are intended by the counterparties to be delivered.)

If you have any questions with respect to this notice, please do not hesitate to contact your NGX Marketing Representative or the NGX Help Desk at 1 403 9744357 (974 HELP).

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