



NOTICE

Treatment of Bilateral Trades

Post Implementation of NGX Foreign Board of Trade Registration

To: All Market Participants

Date: February 14, 2013

From: Natural Gas Exchange Inc.

Separation of Bilateral Trade Option from Central Limit Order Book

Introduction

The objective of this exchange notice is to advise counterparties of changes to the bilateral transaction practices as the regulatory environment evolves as it pertains to Natural Gas Exchange Inc. (NGX).

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. The following provides details of the impact of the transition to a registered FBOT on bilateral trading at NGX.

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 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) Section 738 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result of such and effective on the date of registration of NGX as a FBOT, NGX will no longer be offering bilateral trade options within



the central limit order book (CLOB) within the FBOT itself. The only option for orders within the CLOB listed on the FBOT will be “cleared only”. Notwithstanding such, NGX will be offering a bilateral only exempt market (forward) should counterparties wish to be match under existing bilateral forward agreements providing for physical delivery of natural gas or crude oil. It should be noted that these orders will be a market in and of its self where physical delivery amongst matched counterparties is contemplated. Effectively there will be two different “bid/offer” queues – one for cleared trades (FBOT) and one contemplating physical delivery of non-jurisdictional forward products.

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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