**Revised as of January 8, 2013**

# FORM FBOT—EXHIBIT E-4

**Request:** Identify any contracts that are linked to a contract listed for trading on a United States-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.

**Response:**

NGX does not believe that it lists any "linked contracts" for trading through direct access as defined in Commission Rule 48.2. As noted above, Commission Rule 48.2 defines a "linked contract" as a contract that "settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on a registered entity."

NGX's AB-NIT, Union-Dawn and U.S. delivery point Physical Basis Futures Contracts (including its Henry basis natural gas futures contract), which are described in Exhibit E-1, are partially based on evaluating prices generated by trading in the NYMEX Henry Hub physical delivery futures contract. These contracts do not, however, settle solely to the settlement price of the NYMEX contract. Rather, these contracts are basis contracts and are priced by counterparties by incorporating differentials to arrive at a purchase or sale price for natural gas that is deliverable to hubs in Alberta, Ontario or elsewhere, as opposed to Erath, Louisiana, where the Henry Hub is located.[1] Likewise, NGX's other natural gas physically-settled futures contracts take NYMEX prices into consideration, but do not settle to them. All natural gas daily and final futures settlement prices are generated by NGX, and in addition to considering NYMEX prices, are based on the transactions (and/or bid/offer spreads) that are competitively executed on NGX to account for differences in terms and conditions from the NYMEX benchmark contract and delivery locations that are other than the Henry Hub.[2]

Similarly, the daily and final settlement prices for the Exchange's crude oil Physical Index Futures Contracts that use the NGX WTI Index are calculated by taking the calendar average of New York Mercantile Exchange WTI settlement prices for the applicable delivery month and adding or subtracting a variable differential from that value in $U.S. per barrel. These differentials are derived by NGX staff using on-screen bid/offer information, as well as daily customer/broker surveys. In some instances, automatic price adjustments are made to contract prices, in accordance with quality equalizations established by the Canadian Association of Petroleum Producers, to account for quality variances from the light sweet crude oil benchmark. Accordingly, the Exchange's crude oil Physical Index Futures Contracts that use the NGX WTI Index do not directly settle to a NYMEX price, but rather use NGX's own calculation of the settlement price.

[1] NGX's Henry natural gas futures contracts are discussed below.

[2] This approach is consistent with speculative position limit rules, which specifically exclude variable differential contracts. Contracts that are priced at a differential to NYMEX natural gas and crude oil contracts are subject to the Commission's speculative position limit rules only if economically equivalent to such contracts (*i.e.*, the differential is fixed and not a changing variable). *See* 76 Fed. Reg. 71626, 71631 note 50 (November 18, 2011). The Commission's speculative position limit rules, by excluding variable differential contracts from position limits, provide that variable differential contracts are not considered to be transactions that settle against any price (including the daily or final settlement price) of one or more contracts listed for trading on a registered entity.

NGX settles the above mentioned natural gas and crude oil futures markets based on a differential to NYMEX prices each day, and the price at which those differential-priced products are trading at the time on NGX – using NGX transaction prices from that day, or bid/offer spreads if a recent transaction price is not available. These contracts therefore incorporate NYMEX prices, but do not settle directly or solely to them. For its crude oil contracts, NGX will use on screen data when available, but may also source transaction data from the TMX Shorcan (broker) market, where liquidity may be higher. Additionally, NGX retains the discretion to survey the markets for price quotes when liquidity is thin. For these reasons, NGX crude oil contracts are not "linked contracts," as that term is defined in Commission Rule 48.2.

In addition to final settlement prices, NGX establishes daily settlements for the purpose of valuing the daily fluctuation of collateral. In doing so, NGX applies a formula which, in the case of the physically-settled natural gas futures contract deliverable at Henry Hub, includes NYMEX prices. For contract tenors that are farther out on the forward curve (as opposed to nearby contracts), there may be less activity or information relating to trading activity other than transactions on NYMEX. Accordingly, for that contract and in distant contract tenors, NYMEX prices may be more greatly weighted in NGX's determination of daily settlement prices than other price sources. Accordingly, although NGX seeks to include pricing information in its calculation of daily settlement prices from at least two sources, the settlement price yielded by the formula, although not based solely on NYMEX prices, may often result in a like value. Nevertheless, it should be noted that NGX retains discretion to establish a daily settlement price other than the price yielded by application of the calculation methodology if the settlement price so yielded, in the judgment of NGX, does not accurately reflect contract values.