

May 16, 2014

In the Matter of  
the Securities Legislation of  
Saskatchewan (the **Jurisdiction**)  
and  
In the Matter of  
Natural Gas Exchange Inc. (**NGX**)  
**Decision**

**Background**

The Financial and Consumer Affairs Authority of Saskatchewan (the **Authority**) has received an application from NGX for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that:

- (a) pursuant to clause 83(1)(a) of The *Securities Act, 1988* (Saskatchewan) (the **Act**) current and future NGX participants in Saskatchewan (**Saskatchewan Participants**) trading in contracts on NGX (**Contracts**) are exempt from the registration requirement contained in subsection 27(2) of the Act;
- (b) pursuant to subsection 160(1) of the Act, the current and future Saskatchewan Participants trading in Contracts are exempt from the trading restrictions contained in subsection 40(1) of the Act;
- (c) pursuant to subsection 160(1) of the Act, NGX is exempt from the requirement to be recognized as an exchange pursuant to section 21.1 of the Act;
- (d) pursuant to subsection 160(1) of the Act, NGX is exempt from the requirement to be recognized as a clearing agency pursuant to Section 21.2 of the Act; and
- (e) the existing relief previously granted by the Authority under the Current Order (**defined below**) be revoked.

(collectively, the **Requested Relief**).

The Authority has assigned to the Director, Securities Division (the **Director**) the power to make exemption orders and rulings under the provisions of the Act.

**Interpretation**

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.


## Representations

This decision is based on the following facts represented by NGX:

1. NGX operates an electronic trading, clearing and settlement system (the **System**) in Calgary, Alberta for the trading, clearing and settlement of spot, forward and derivative contracts.
2. NGX is recognized by the Alberta Securities Commission (**ASC**) under the *Securities Act* (Alberta) as an exchange and as a clearing agency by an order (**ASC Order**) dated October 9, 2008 and as varied by orders dated April 9, 2009, July 11, 2012 and December 19, 2013 and is subject to regulatory oversight by the ASC.
3. NGX has been advised that the Authority and the ASC are each party to the Memorandum of Understanding Respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems (**MOU**) respecting oversight of exchanges and quotation and trade reporting systems, which applies to the oversight of NGX, and under which the ASC is identified as the Lead Regulator that is responsible for the oversight of NGX.
4. The ASC discharges its regulatory oversight over NGX as an exchange and clearing agency through ongoing reporting requirements and by conducting periodic oversight assessments of NGX's operations to confirm that NGX is in compliance with the operating and clearing principles set out in the ASC Orders.
5. NGX has also operated the System in accordance with the terms and conditions (including the operating principles) of the Mutual Reliance Relief System order dated December 1, 2004 with the ASC as principal regulator on behalf of the Authority, which granted relief from applicable laws in Saskatchewan regarding: (i) the prohibition against carrying on business as an exchange unless recognized as an exchange; (ii) the prohibition against trading in exchange contracts and/or commodity futures contracts unless the form of contract has been approved and unless such contracts are traded through a recognized exchange; and (iii) the prospectus and/or registration requirements that may apply to trades in these contracts (**Current Order**).
6. Access to the System is restricted to Saskatchewan Participants, each of which have, or are controlled directly or indirectly, by an entity which has a net worth exceeding \$5,000,000 or total assets exceeding \$25,000,000.

## Decision

1. The Director is satisfied that it would not be prejudicial to the public interest to make the decision.
2. The decision of the Director is that the Requested Relief is granted provided that NGX complies with the ASC Order including any variations or amendments thereto.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Dean Murrison  
Director, Securities Division.