

# Sauder School of Business Prediction Markets

## Canadian Monetary Policy Market 2013 (E)

MARKET PROSPECTUS

CMP13E

17 July 2013

### Overview

This prospectus describes the futures contracts traded in the Canadian Monetary Policy Market 2013 (E), identified by the trading symbol CMP13E, in the *Sauder School of Business Prediction Markets* (SPM). The purpose of this market is to predict the decision of the Bank of Canada's Governing Council to raise, keep, or lower the target for the overnight rate. The "overnight rate" is the interest rate at which major financial institutions borrow and lend one-day (or overnight) funds among themselves. Since November 2000, the Bank of Canada announces these decisions on eight fixed dates each year. The market symbol is therefore composed of "CMP" for Canadian Monetary Policy, two digits for the current year, and a letter (A–H) for the particular announcement date during that year. Except as specified in this prospectus, trading rules for this market are the same as specified in the online user's guide on the predictionmarkets.ca web site.

### Opening and Closing

Trading activity in the CMP13E market commences on Thursday, 30 May 2013, and continues until and including the last day before the monetary policy decision, which is Tuesday, 16 July 2013. During each trading day, the market opens at 06:30 Pacific Time with an initial auction of limit orders that have accumulated since the last closing of the market. The market closes at 20:30 Pacific Time on all trading days. During the night-time non-trading hours, traders may still submit limit orders through the trader interface.

### Liquidation Values

Liquidation values of the contracts traded in this market are determined by the announcement of the Bank of Canada's overnight rate on Wednesday, 17 July 2013. Liquidation of contracts will take place within a week of the Bank of Canada announcing the overnight rate target. Payoffs are determined in a winner-takes-all fashion. The winning contract pays \$1, and all other contracts pay \$0. The judgment of the SPM Director in consultation with the SPM Advisory Board will be final in resolving questions of interpretation and typographical or clerical errors.

### Contracts and Contract Bundles

Contracts are traded in 1/100 cent increments (known as basis points or bips). The payoff for a bundle of all contracts traded in this market sums to \$1.

Symbol	Short Name	Payoff Description
CMP13E.HGH	Higher	\$1 if the overnight rate is raised, \$0 otherwise
CMP13E.UNC	Unchanged	\$1 if the overnight rate remains unchanged, \$0 otherwise
CMP13E.LOW	Lower	\$1 if the overnight rate is lowered, \$0 otherwise

Fixed-price bundles consisting of one share of each of the contracts in this market can be purchased from or sold to the SPM system at any time. The price of each bundle is \$1.00.

### Governing Rules

This market is governed by the rules and regulations posted on the SPM web site. Traders are required to familiarize themselves with the trading rules as posted on the SPM web site. Trading is open to all Canadian residents with a valid Canadian postal address. Minimum (\$25) and maximum (\$1,000) investment limits apply. Traders bear the risk of financial gains and financial losses. Funds in a trader's cash account are fungible across markets. There are no trading fees of any kind. Requests to withdraw funds must be submitted through the web interface. Cheques for divestments can only be mailed to Canadian addresses.