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CIRCULAR
February 12, 2013

SELF-CERTIFICATION

MODIFICATION TO THE DELIVERY STANDARDS

30-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (LGB)

**AMENDMENT TO ARTICLE 15613 OF RULE FIFTEEN
OF BOURSE DE MONTRÉAL INC.**

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved the modifications to the delivery standards of the 30-Year Government of Canada Bond Futures Contract (LGB) and the amendment to Article 15613 of Rule Fifteen of the Bourse in order to increase the efficiency and cost-effectiveness of the LGB for both hedgers and speculators.

The amendments will apply to the June 2013 LGB contract and all subsequent contract months. The Bourse wishes to advise Approved Participants that such amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01). Amendments to Rule Fifteen of the Bourse, which you will find enclosed, will be effective on **February 12, 2013**. No orders will be accepted on the LGB contract until the amendments are effective. Please note that amended versions of the Rules of the Bourse will be available on the Bourse’s website (www.m-x.ca).

Below is the list of deliverable bond issues with respect to the LGB Futures contracts for March 2013 and subsequent contract months. This list replaces the one distributed on February 6, 2013 (Circular 022-2013).

Government of Canada Bonds		Outstanding	March 2013	June 2013	September 2013	December 2013
Coupon	Maturity	(CAN \$ million)				
5%	June 1, 2037	13,999	0.8730	N/A	N/A	N/A
4%	June 1, 2041	15,800	0.7293	0.7303	0.7312	0.7323
3½%	Dec. 1, 2045	9,900	0.6434	0.6443	0.6452	0.6462
TOTAL OUTSTANDING DELIVERABLE BONDS (CAN \$ million)			39,699	25,700	25,700	25,700

Conversion factors computed with a yield equal to 6%.

Note: This list is produced in accordance with the Rules of the Bourse de Montréal Inc. and of the Canadian Derivatives Clearing Corporation (CDCC).

Circular no.: 026-2013

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Circular no.: 026-2013

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RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS
GOVERNMENT OF CANADA BOND FUTURES

Section 15601 - 15700
Specific Trading Provisions

15613 Delivery Standards

(08.09.89, 20.11.89, 05.03.90, 01.07.92, 01.10.92, 12.07.94, 19.01.95, 05.08.97, 06.11.97, 22.12.99, 03.05.04, 17.11.04, 24.07.06, 16.11.07, 01.09.10, 05.11.10, 12.02.13)

- a) For the 10-year Government of Canada Bond Futures contract shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 8 and 10½ years, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete periods of three months, by rounding down to the nearest entire three-month period, e.g. 10 years and seven months shall be considered 10½ years from the first day of the delivery month);
 - ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 10-year auctions (a bond not issued at a 10-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$100,000; and
 - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- b) For the 5-year Government of Canada Bond Futures contract, shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 3 years 6 months and 5 years 3 months, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete one month increments, by rounding down to the nearest entire one month period. e.g. 4 years 5 months and 14 days shall be considered 4 years and 5 months from the first day of the delivery month);

- ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 5-year Government of Canada bond auctions (an issue which has an original maturity of more than 5 years and 9 months and which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$100,000; and
 - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- c) For the 2-year Government of Canada Bond Futures contract expiring before December 2010, shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 1 year 6 months and 2 years 6 months, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete one month increments, by rounding down to the nearest entire one month period. e.g. 2 years 1 month and 14 days shall be considered 2 years and 1 month from the first day of the delivery month);
 - ii) have an outstanding amount of \$2.4 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 2-year, 5-year or 10-year Government of Canada bond auctions (a bond which has not been originally issued at a 2-year, 5-year or 10-year Government of Canada bond auction and which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$2.4 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$200,000; and
 - vi) have a coupon of 4%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 4% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 4% coupon and selling at par.

- d) For the December 2010 2-year Government of Canada Bond Futures contract and for subsequent contract months, shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 1 year 6 months and 2 years 6 months, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete one month increments, by rounding down to the nearest entire one month period. e.g. 2 years 1 month and 14 days shall be considered 2 years and 1 month from the first day of the delivery month);
 - ii) have an outstanding amount of \$2.4 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 2-year Government of Canada bond auctions (a bond which has not been originally issued at a 2-year Government of Canada bond auction and which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$2.4 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$200,000; and
 - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- e) For the 30-year Government of Canada Bond Futures contracts expiring before June 2013, shall be deliverable only those Government of Canada Bond issues which:
- i) have a remaining maturity of between 21 and 33 years, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete periods of three months, by rounding down to the nearest entire three-month period, e.g. 30 years and seven months shall be considered 30½ years from the first day of the delivery month);
 - ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 30-year auctions (a bond not issued at a 30-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first delivery notice day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$100,000; and

- vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- f) For the June 2013 30-year Government of Canada Bond Futures contracts, and for subsequent contract months, shall be deliverable only those Government of Canada Bond issues which:
- i) have a remaining maturity of not less than 25 years, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete periods of three months, by rounding down to the nearest entire three-month period, e.g. 30 years and seven months shall be considered 30½ years from the first day of the delivery month);
 - ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
 - iii) are originally issued at 30-year auctions (a bond not issued at a 30-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);
 - iv) are issued and delivered on or before the 15th day preceding the first delivery notice day corresponding to the delivery month of the contract;
 - v) have a face value at maturity in multiples of CAN \$100,000; and
 - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- g) The price of a deliverable Government of Canada Bond shall be determined according to the conversion factors tables published by the Bourse.

The conversion factor of a deliverable issue is the actualized value of the deliverable issue to the notional yield of the futures contract considered on the first day of the delivery month, minus the interest accrued until delivery day.

- h) The amount to be paid at delivery is equal to \$1,000 (\$2,000 for the 2-year Government of Canada Bond Futures contract) multiplied by the conversion factor of the deliverable issue and multiplied by the settlement price of the futures contract being delivered, plus accrued interests to the delivery day. Accrued interest is charged to the approved participant taking delivery.
- i) All Government of Canada Bonds being delivered in respect of a futures contract must be of the same issue.
- j) Before a contract is listed for trading, the Bourse shall have the right to exclude any deliverable Government of Canada bond issue, even if it meets all the standards specified in this Rule.

LGB – 30-Year Government of Canada Bond Futures

Specifications

Trading Unit	C\$100,000 nominal value Government of Canada Bond with 6% notional coupon
Contract Months	March, June, September and December.
Price Quotation	Quoted on a 100 points basis where 1 point equals C\$1,000.
Last Trading Day	Trading ceases at 1:00 p.m. (Montréal time) on the seventh business day preceding the last business day of the contract month.
Contract Type	Physical delivery of eligible Government of Canada Bonds.
Delivery Notices	Delivery notices must be submitted before 5:30 p.m. or before such time set by the clearing corporation on any business day, between the third business day preceding the first business day of the delivery month and the third business day preceding the last business day of the delivery month inclusively.
Delivery Date	Delivery must be made on the third business day following the submission of the delivery notice by the member holding a seller's position or on any other day as determined by the clearing corporation. Delivery shall be completed no later than the last business day of the delivery month.
Minimum Price Fluctuation	0.01 = C\$10 per contract.
Reporting Level	250 contracts.
Position Limits	Information on position limits can be obtained from the Exchange as they are subject to periodic changes.
Minimum Margin Requirements	Information on minimum margin requirements can be obtained from the Exchange as they are subject to periodic changes.
Delivery Standards	Government of Canada Bonds which: <ul style="list-style-type: none"> i) have a remaining time to maturity of not less than 25 years, as of the first day of the delivery month, calculated by rounding down to the nearest entire three-month period; ii) have an outstanding amount of at least C\$3.5 billion nominal value; iii) are originally issued at thirty-year Government of Canada Bond auctions; iv) are issued and delivered on or before the 15th day preceding the first delivery notice day of the contract month.
Daily Price Limit	None.
Trading Hours (Montreal time)	<p>Early session: 6:00 a.m. to 8:05 a.m. Regular session: 8:20 a.m. to 3:00 p.m. Extended session*: 3:06 p.m. to 4:00 p.m. * There is no extended session on the last trading day of the expiring contract month.</p> <p>Note: During early closing days, the regular session closes at 1:00 p.m., time at which the daily settlement price is established. In those circumstances, the extended session is from 1:06 p.m. to 1:30 p.m.</p>
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	LGB