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**CIRCULAR 079-17**  
May 31, 2017

## REQUEST FOR COMMENTS

### LIQUIDATION OF POSITIONS IN EXCESS OF LIMITS

#### AMENDMENTS TO RULE SIX OF BOURSE DE MONTREAL INC.

The Rules and Policies Committee and the Special Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved amendments to article 6657 of Rule Six of the Bourse. The proposed amendments are based on an internal review of article 6657 conducted by the Bourse and are necessary to ensure that such article is clear and accurately reflects the authority of the Bourse on the liquidation of position in excess of limits.

Comments on the proposed amendments must be submitted **on July 10, 2017**, at the latest. Please submit your comments to:

M<sup>c</sup> Martin Jannelle  
Legal Counsel  
Office of the General Counsel  
Bourse de Montréal Inc.  
Tour de la Bourse  
800 Victoria Square, P.O. Box 61  
Montréal, Québec H4Z 1A9  
**Email: [legal@tmx.ca](mailto:legal@tmx.ca)**

A copy of these comments must also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

M<sup>c</sup> Anne-Marie Beaudoin  
Corporate Secretary  
*Autorité des marchés financiers*  
800 Victoria Square, 22<sup>nd</sup> Floor  
P.O. Box 246, Tour de la Bourse  
Montréal (Québec) H4Z 1G3  
**E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)**

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

### **Appendices**

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

### **Regulatory Amendment Process**

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (“**SRO**”) by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the “**Division**”). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.



## LIQUIDATION OF POSITIONS IN EXCESS OF LIMITS

### AMENDMENTS TO RULES 6 OF BOURSE DE MONTRÉAL INC.

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## **I. SUMMARY**

Bourse de Montréal Inc. (the “Bourse”) has undertaken a project to update and modernize its Rules. This project seeks to review the structure of the Rules, unify procedures into the Rules, remove outdated articles, align the Rules with current practice, and recommend substantive amendments as appropriate to adapt the Rules to the evolution of the market. The proposed amendments are based on an internal review of article 6657 of the Rules conducted by the Bourse and are necessary to ensure that such article is clear and accurately reflects the authority of the Bourse on the liquidation of position in excess of limits.

## **II. ANALYSIS**

### **a. Background**

The proposed amendments are part of the rule modernization project, and will update the language of article 6657 of the Rules.

The proposed amendments are analysed below with additional details included in the Appendix.

### **b. Description and Analysis of Market Impacts**

The Bourse identified that article 6657 of the Rules required some fine-tuning. The Bourse proposes to amend article 6657 to make clear that the Bourse has the authority to order the liquidation of position in excess of position limits in all “Listed Products”, and not only on “classes of options”. It is important from a market integrity perspective that the Bourse has clear authority to order the liquidation of excessive positions in all products traded on the Bourse. Other terms used in article 6657 of the Rules have been updated to reflect the current definitions used in the Rules.

Article 6657 was last updated in 1994. The Bourse must ensure that the article properly reflects and documents the current practices of the Bourse. All Listed Products are subject to position limits that are monitored by the Bourse and any excess should be liquidated at the request of the Bourse. Since all reporting and monitoring Rules and Procedures are consistent for all Listed Products, the liquidation process and requirements should also be applicable to all Listed Products.

### **c. Comparative Analysis**

No comparative analysis is required in this case. The proposed amendments are meant to clarify the provisions of article 6657 and to accurately reflect the authority of the Bourse on all Listed Products.

### **d. Proposed Amendments**

Please see Appendix 1 which provides further details on the proposed amendments.

## **III. AMENDMENT PROCESS**

The Bourse undertook to update its Rules and provide its clients with more clarity with regard to its regulations. The proposed amendments will allow article 6657 of the Rules to accurately reflect

the current trading environment as well as the authority of the Bourse on the liquidation of position in excess of limits.

#### **IV. IMPACTS ON TECHNOLOGICAL SYSTEMS**

None of the proposed amendments has an impact on the technological systems of the Bourse or those of its approved participants.

#### **V. OBJECTIVES OF PROPOSED AMENDMENTS**

The proposed amendments seek to:

- Provide greater clarity for market participants;
- Modernize the language of the Rules; and
- Align the Rules in order to accurately reflect the authority of the Bourse.

#### **VI. PUBLIC INTEREST**

It is in the public interest for the Rules of the Bourse to clearly and accurately reflect the current trading environment as well as the authority of the Bourse on the liquidation of position in excess of limits. The proposed amendments aim at making the Rules more transparent and reducing any ambiguity in their wording. All Listed Products should be subject to the same Rules.

#### **VII. EFFICIENCY**

The proposed amendments will have no impact on market efficiency.

#### **VIII. PROCESS**

The proposed amendments will be submitted to the Bourse's Rules and Policies Committee for approval. They will also be submitted to the *Autorité des marchés financiers* in accordance with the self-certification process and to the Ontario Securities Commission for information purposes.

#### **IX. ATTACHED DOCUMENTS**

- Proposed amendments to Rule 6, article 6657.

**6657 Liquidation of Positions in Excess of Limits**

(28.09.82, 10.11.92, 07.04.94, 00.00.00)

Whenever the ~~BourseExchange~~ finds that a person or group of persons acting in concert holds, ~~or~~ controls, or is obligated in respect of an aggregate position, long or short, ~~in a class of options~~ in excess of the applicable position limit ~~for a Listed Product established pursuant to article 6651,~~ the ~~BourseExchange~~ may order all ~~Approved Participantsmembers~~ carrying a position in such ~~Listed Productclass of options~~ for such person or ~~or group of~~ persons acting in concert, to liquidate such position in an expeditious manner consistent with the maintenance of a fair and orderly market.

**6657 Liquidation of Positions in Excess of Limits**

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Whenever the Bourse finds that a person or group of persons acting in concert holds, controls, or is obligated in respect of an aggregate position, long or short in excess of the applicable position limit for a Listed Product, the Bourse may order all Approved Participants carrying a position in such Listed Product, for such person or group of persons acting in concert, to liquidate such position in an expeditious manner consistent with the maintenance of a fair and orderly market.