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CIRCULAR 113-14
August 25, 2014

GOVERNMENT OF CANADA BOND FUTURE CONTRACTS- FIRST CONTRACT MONTH POSITION LIMIT FILE

Pursuant to circular 073-14 published on June 4, 2014 (http://www.m-x.ca/f_circulaires_en/073-14_en.pdf) which served to remind Approved Participants of Bourse de Montréal Inc. (the Bourse) of their obligations regarding Government of Canada Bond futures first contract month position limits, the Bourse’s Regulatory Division (the Division) would like to inform participants that a section of the Division’s website has been dedicated to the publication of first contract month position limit files for Government of Canada bond futures contracts. Note that files containing this information will be available in the LOPR section of the Division’s website (http://reg.m-x.ca/en/lopr/bond_future_position_limit).

The Division will post first contract month position limits starting on the **first business day prior to the First Delivery Notice day of the first contract month** of a Government of Canada Bond futures contract, until its expiry. The listed limits will be posted at the end of the trading day and will become effective on the following trading day. The first contract month position limit files are to be used by participants in order to monitor for potential first contract month position limit breaches. A layout of the file in question has been made available in the attached spreadsheet.

In the event that an approved participant of the Bourse or any of its clients are holding positions in excess of the set limit for the first contract month, the approved participant must immediately inform the Division of the breach on the day that it has exceeded the position limit.

If a position limit has been exceeded, the approved participant must either reduce the excess position or apply for a position limit exemption as per Policy C-1 (http://www.m-x.ca/f_regles_en/C-1_en.pdf). Exemption requests are only applicable to bona fide hedgers and must be submitted to the Division no later than 9:30am on the next business day following the day where the limit was breached.

Apart from the exemptions available to bona fide hedgers as per Policy C-1, in establishing position limits the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

The Division recognizes that in cases where an unhedged position is held by an approved participant or client who is either providing liquidity or intending to take the futures contracts to delivery that the position limit breach may be justifiable. The Division will review and assess each position on a case-by-case basis in order to determine whether a specific limit is appropriate.

The Division considers position limit requirements to be a core component of the preservation of market integrity. Adherence to prevailing position limits is therefore of the utmost importance to the Bourse, and will be diligently monitored and enforced.

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