



CIRCULAR 133-18

August 6, 2018

SELF-CERTIFICATION

AMENDMENTS TO ARTICLE 6380 OF RULE SIX OF BOURSE DE MONTRÉAL INC. TO MODIFY THE MINIMUM VOLUME THRESHOLDS APPLICABLE TO BLOCK TRANSACTIONS ON TWO-YEAR AND 30-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACTS (CGZ AND LGB)

On May 9, 2018, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved amendments to article 6380 of Rule Six of the Bourse to modify the minimum volume threshold applicable to block transactions on two-year and 30-year Government of Canada bond futures contracts (CGZ and LGB). These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

These amendments, as attached, will become effective on **August 10, 2018**, after market close. Please note that the revised Rule will also be available on the Bourse’s website (www.m-x.ca).

The amendments described in the present circular were published for public comment by the Bourse on May 17, 2018 (see [Circular 068-18](#)).

For additional information, please contact Alexandre Normandeau, Legal Counsel, at 514-787-6623 or by email at alexandre.normandeau@tmx.com.

Alexandre Normandeau
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Bourse de Montréal Inc.

RULE SIX

TRADING

A. GENERAL FRAMEWORK AND PROCEDURES

[...]

Section 6365- 6401

Electronic Trading of Derivatives Instruments Traded on the Bourse

[...]

6380 Transactions Required on Bourse Facilities

(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 09.02.18, 07.06.18, 15.06.18, 29.06.18, 11.07.18, 00.00.00)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

[...]

6380d. Block Trades

- 1) **In general.** Approved Participants of the Bourse may negotiate and execute a transaction off of the electronic trading system pursuant to the following conditions:
 - i) A block trade transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.
 - ii) Block trades are only permitted in the derivative instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD
30-Day Overnight Repo Rate Futures Contracts (ONX)	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	500 <u>250</u> contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	500 <u>100</u> contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	500 contracts

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	2,000 contracts
Canadian Crude Oil Futures Contracts	100 contracts
Futures contracts on the FTSE Emerging Markets Index	100 contracts
Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	1,000 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	500 contracts

- iii) Where a block strategy involves the trading of different derivative instruments, or different contract months or premiums of the same instrument, each of derivatives of the strategy need meet only the lowest applicable threshold.
- iv) Approved Participants may not aggregate separate orders in order to meet the minimum volume thresholds.
- v) Each party to a block trade must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
- vi) The price at which a block trade is arranged must be "fair and reasonable" in light of (a) the size of the block trade; (b) currently traded prices and bid and ask prices in the same derivative instrument; (c) the underlying markets; and (d) general market conditions, all at the relevant time. The fairness and reasonableness of the price of a block trade priced at a basis to an index as permitted under paragraph 2 of this article may also take into account the following additional considerations: (e) financing rates, (f) expected dividend income, and (g) time remaining until the index futures contract expiration, all at the relevant time. Although there is no requirement for a block trade to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
- vii) Block trades shall not trigger special terms orders or otherwise affect orders on the electronic trading system.
- viii) A block trade on a contract roll strategy is not permitted, except for the FTSE Emerging Markets Index futures contract.
- ix) The details of a block trade must be reported by Approved Participants for both the buyer and seller to the Market Operations Department by telephone at 1-888-696-6366 or at 514-871-7871 and on a Block Trade Reporting Form, available on the Bourse's web site at http://www.m-x.ca/rob_formulaire_en.php, within 15 minutes of the Block Trade's execution.

- x) Following validation of the trade details by the Bourse (which is not a confirmation by the Bourse that the block trade has been effected in accordance with this Article), the Bourse shall disseminate the trade and price information relating to the block trade.
 - xi) Upon request, the Approved Participant shall provide evidence that the block trade transaction has been effected in accordance with these Rules.
 - xii) In all circumstances, a block trade can only be arranged by the Approved Participant's Approved Persons.
- 2) **Block Trades Priced at a Basis to Index Close.** Approved Participants may mutually agree to price a block trade at a positive or negative increment ("basis") to the price at which the index underlying an eligible contract will close ("BIC"), for any trading day except the last trading day of an expiring contract month, subject to the conditions in paragraph (1) of article 6380d and the following additional condition:
- i) The Approved Participants shall report the basis along with other trade details in accordance with the requirements of paragraph 1) ix) of this article, and shall submit to the Bourse's Market Operations Department a second Block Trade Reporting Form which includes the agreed-upon basis, the closing level of the underlying index and the price of the block trade to the nearest 0.01 index point increment within the time required as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD	PRESCRIBED TIME BY WHICH TO FILE BLOCK TRADE REPORTING FORM	PRESCRIBED TIME BY WHICH TO FILE SECOND BLOCK TRADE REPORTING FORM No sooner than
Futures contracts on the FTSE Emerging Markets Index	100 contracts	Within 15 minutes	9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	100 contracts	Within 15 minutes	4:00 p.m. ET on the same trading day

[...]

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