



CIRCULAR 186-20
November 10, 2020

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO MODIFY THE NOMINAL VALUE OF THE TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES (CGZ)

On May 11, 2020, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to the Rules of the Bourse in order to modify the nominal value of the Two-Year Government of Canada bond futures (“CGZ”). 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 attached herewith will become effective on **November 16, 2020**, before the market opens. Please note that the revised articles 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 August 12, 2020 (see circular [137-20](#)). Further to the publication of this circular, the Bourse received comments. A summary of the comments received as well as responses from the Bourse to these comments is attached hereto. The Bourse also made additional changes to Articles 12.102 and 12.112, which were required to give full effect to the changes to Article 12.100 initially proposed.

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

Alexandre Normandeau
Legal Counsel
Bourse de Montréal Inc.

Chapter B - Two Year Government of Canada Bond Futures

Article 12.100 Underlying Interest

The Underlying Interest is \$~~200~~100,000 nominal value of a Government of Canada Bond with a 6% notional coupon.

Article 12.102 Trading Unit

Unless otherwise determined by the Bourse, the trading unit is \$~~200~~100,000 nominal value of a Government of Canada Bond with a 6% notional coupon.

Article 12.112 Delivery Standards

- (a) For the Two-year Government of Canada Bond Futures, shall be Deliverable only those Government of Canada Bond issues which:
- (i) have a remaining maturity of between one year and six months and two years and six 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., two years, one month and 14 days shall be considered two years and one 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 Two-year Government of Canada Bond auctions (a Bond which has not been originally issued at a Two-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 Delivery Month, its re-openings 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~~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) The price of a deliverable Government of Canada Bond shall be determined according to the conversion factors tables published by the Bourse.
- (c) 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.
- (d) The amount to be paid at delivery is equal to \$~~21~~21,000 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.
- (e) All Government of Canada Bonds being delivered in respect of a Futures Contract must be of the same issue.
- (f) 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 Article.

Chapter B - Two Year Government of Canada Bond Futures

Article 12.100 Underlying Interest

The Underlying Interest is \$100,000 nominal value of a Government of Canada Bond with a 6% notional coupon.

Article 12.102 Trading Unit

Unless otherwise determined by the Bourse, the trading unit is \$100,000 nominal value of a Government of Canada Bond with a 6% notional coupon.

Article 12.112 Delivery Standards

- (a) For the Two-year Government of Canada Bond Futures, shall be Deliverable only those Government of Canada Bond issues which:
- (i) have a remaining maturity of between one year and six months and two years and six 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., two years, one month and 14 days shall be considered two years and one 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 Two-year Government of Canada Bond auctions (a Bond which has not been originally issued at a Two-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 Delivery Month, its re-openings 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 \$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) The price of a deliverable Government of Canada Bond shall be determined according to the conversion factors tables published by the Bourse.
- (c) 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.
- (d) The amount to be paid at delivery is equal to \$1,000 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.
- (e) All Government of Canada Bonds being delivered in respect of a Futures Contract must be of the same issue.
- (f) 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 Article.

C | G | Z TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES

| SPECIFICATIONS | |
|------------------------------------|---|
| Underlying | C\$100,000 nominal value of a Government of Canada bond with a 6% notional coupon. |
| Expiry Cycle | March, June, September and December. |
| Price Quotation | Per C\$100 nominal value. |
| Minimum Price Fluctuation | 0.005 = C\$5 per contract. |
| Contract Type | Physically-delivered: delivery of eligible Government of Canada bonds. |
| Last Trading Day | Trading ceases at 1:00 p.m. ET on the seventh business day preceding the last business day of the delivery month. |
| Delivery Notices | Delivery notices should be submitted before 5:30 p.m. ET or before such time set by the clearing corporation on any business day, between the second business day preceding the first business day of the delivery month and the second business day preceding the last business day of the delivery month, inclusively. |
| Delivery Day | Delivery shall be made on the second 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. |
| Delivery Standards | <p>Government of Canada bonds which:</p> <ul style="list-style-type: none"> • have a remaining time to maturity of between 1½ year and 2½ years as of the first day of the delivery month, calculated by rounding down to the nearest whole month period; • have an outstanding amount of at least C\$2.4 billion nominal value; • are originally issued at two-year Government of Canada bond auctions; • are issued and delivered on or before the fifteenth day preceding the first delivery notice day of the contract. <p>More information on delivery standards is available in Article 15613 of the Rules of the Bourse.</p> |
| Position Reporting Threshold | 250 contracts. |
| Position Limit | Information on position limits can be obtained from the Bourse as they are subject to periodic changes. |
| Maximum Price Variation Thresholds | None. |
| Minimum Margin Requirements | Information on minimum margin requirements can be obtained from the Bourse as they are subject to periodic changes. |

SPECIFICATIONS

| | |
|----------------------|---|
| Trading Hours | <ul style="list-style-type: none">Regular session: 2:00 a.m.** to 4:30 p.m. ET ** +/- 15 seconds <ul style="list-style-type: none">Note: During early closing days, the regular session closes at 1:30 p.m. ET. |
| Clearing Corporation | Canadian Derivatives Clearing Corporation (CDCC). |
| Ticker Symbol | CGZ |

The information contained in this document is for information purposes only and shall not be construed as legally binding. This document is a summary of the product's specifications which are set forth in the Rules of Bourse de Montréal Inc. ("Rules of the Bourse"). While Bourse de Montréal Inc. endeavors to keep this document up to date, it does not guarantee that it is complete or accurate. In the event of discrepancies between the information contained in this document and the Rules of the Bourse, the latter shall prevail. The Rules of the Bourse must be consulted in all cases concerning products' specifications.

[2020-11-16]

Circular 137-20: Summarized comments and responses
AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO MODIFY THE NOMINAL VALUE OF THE
TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES (CGZ)

| No. | Date comments received | Participant Category | Summary of comments | Summary of responses |
|------------|-------------------------------|-----------------------------|---|--|
| 1. | August 27, 2020 | IIAC | The IIAC and its members do not oppose the Proposal. However, a suitable implementation period is required so that market participants can make the necessary system, supervisory and procedural changes. | The Bourse acknowledges this comment and has informed the market in advance. |