



CIRCULAR 214-21
December 21, 2021

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. REGARDING PREARRANGED TRANSACTIONS AND MINIMUM PRICE INCREMENTS FOR THE OPTIONS MARKET

On September 14, 2021, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to articles 6.202, 6.205, 6.308, 11.306 and 11.505 of the Rules of the Bourse. The Bourse is proposing to modify the equity, ETF, currency and index options crossing procedures with the objective to further enhance transparency, increase the activity in the order book and improve overall execution for all options market participants. The Bourse is also proposing to change the minimum price increment for equity and ETF options excluded from the Penny Trading Program to allow increments of \$0.01 on options series priced below \$0.50.

The amendments attached herewith have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01). In addition, the amendments will become effective on **January 31, 2022, after market close**. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

Finally, the Bourse published the amendments for public comment on October 5, 2021 (Circular [167-21](#)). Further to the publication of that circular, the Bourse did not receive any comments.

For additional information, please contact Martin Jannelle, Senior Legal Counsel, at 514-787-6578 or at martin.jannelle@tmx.com.

Martin Jannelle
Senior Legal Counsel
Bourse de Montréal Inc.

SCHEDULE 1
PROPOSED AMENDMENTS

COMPARED VERSION

6.202 Trading Against Customer Orders (Cross-Trades)

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant's own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

- (a) the customer order has first been entered on the Electronic Trading System and exposed to the market for the minimum prescribed time period established in Article 6.205~~for a minimum period of 5 seconds for Futures and Options~~; or
- (b) the Transaction is otherwise, and explicitly permitted by, and carried out in accordance with, the Rules; including, but not limited to, prearranged Transactions pursuant to Article 6.205.

[...]

6.205 Prearranged Transactions

- (a) In general. For the purpose of this Article, "communication" means any communication for the purpose of discerning interest in the execution of a Transaction in the Electronic Trading System prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a Transaction.
- (b) The parties to a Transaction may engage in communications to prearrange a Transaction on the Electronic Trading System in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the following conditions:
 - (i) A customer consent to the Approved Participant engaging in prearranging communications on the customer's behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;
 - (ii) After the first order for the prearranged Transaction is entered into the Electronic Trading System the parties may not enter the second order for the prearranged Transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
One-Month CORRA Futures Contracts (COA):		
All expiry months and strategies	5 seconds	No threshold
Three-Month CORRA Futures Contracts (CRA):		
All expiry months and strategies	5 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX and S&P/MX Indices:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 seconds	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Two-Year Government of Canada Bond Futures Contracts (OGZ):		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Five-Year Government of Canada Bond Futures Contracts (OGF):		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Equity and, ETF and Currency Options:		
All expiry months	0 seconds	≥ 250 100 contracts
All expiry months	15 seconds	< 250 100 contracts
All UDS Strategies	15 seconds	No Threshold
Currency Options :		
<u>All expiry months</u>	<u>0 second</u>	<u>≥ 100 contracts</u>
<u>All expiry months</u>	<u>1 second</u>	<u>< 100 contracts</u>
<u>All UDS Strategies</u>	<u>1 second</u>	<u>No Threshold</u>
Index Options:		
All expiry months	0 seconds	≥ 50 contracts
All expiry months	15 seconds	< 50 contracts
All UDS Strategies	15 second s	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 seconds	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

(iii) The party that initiates communication regarding a prearranged Transaction shall have his or her order entered into the Electronic Trading System first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; *provided however*, that in a prearranged Transaction between an Approved Participant and a customer for an equity, ETF or Index Option, the customer's order shall always be entered into the Electronic Trading System first, regardless of which party initiated the communication.

(iv) Limit orders resting in the Electronic Trading System at the time that the first order of the prearranged Transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged Transaction when the second order is entered.

(v) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged Transaction.

(vi) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this Article.

(c) Committed Orders. Committed orders may not be used to execute any Transaction under this Article or Article 6.202 having a prescribed time delay longer than zero seconds, and may be used for such Transactions only for the following products subject to the minimum volume threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
All expiry months and strategies	
Futures Contracts on S&P/TSX, S&P/MX and FTSE Emerging Markets Indices	100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Options on Two-Year Government of Canada Bond Futures Contracts	250 contracts
Options on Five-Year Government of Canada Bond Futures Contracts	250 contracts
Canadian Share Futures Contracts	100 contracts
All expiry months and excluding UDS strategies	
Equity <u>and</u> , ETF and Currency Options	<u>250</u> 100 contracts
<u>Currency Options</u>	<u>100</u> contracts
Index Options	50 contracts
Basis Trade on Close	
Futures Contracts on S&P/TSX and S&P/MX Indices	100 contracts
Canadian Share Futures Contracts	100 contracts

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

(d) Transactions on eligible products with a prescribed time delay. The parties may engage in communications to prearrange a Transaction on the Electronic Trading System where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the conditions in paragraph (a) of this Article; *provided however*:

(i) in the case of a prearranged Transaction that is between the bid and ask on the Electronic Trading System and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged Transaction as a committed order with no delay, subject to the conditions in paragraph (c) of this Article, or

(ii) in the case of a prearranged Transaction that is on or between the bid and ask on the Electronic Trading System and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged Transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged Transaction price).

(e) Equity, ETF, Index and Currency Option Strategy Transactions With 50% Guaranteed Minimum. The parties to an Option strategy Transaction may engage in communications to

prearrange the Transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the following conditions:

- (i) Market Makers are permitted to participate on the Transaction up to a total maximum of 50% of the volume of the intended Transaction;
- (ii) each Approved Participant must contact a Market Supervisor and provide details of the intended Transaction including total quantity, price, side(s) of the Transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and
- (iii) the Approved Participant will be permitted to execute the Transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the Market Makers).

[...]

6.308 Minimum Price Increment

The minimum price increments are as follows:

- (a) For equity Options excluded from the penny trading program:
 - (i) Option series priced below \$0.~~5~~+0 are quoted in increments of \$0.01; and
 - (ii) Option series priced at \$0.~~5~~+0 or more are quoted in increments of \$0.05.
- (b) For equity Options included in the penny trading program:
 - (i) Option series priced below \$3.00 are quoted in increments of \$0.01; and
 - (ii) Option series priced at \$3.00 or more are quoted in increments of \$0.05.
- (c) For ETF Options excluded from the penny trading program:
 - (i) Option series priced below \$0.~~5~~+0 are quoted in increments of \$0.01; and
 - (ii) Option series priced at \$0.~~5~~+0 or more are quoted in increments of \$0.05.
- (d) For ETF Options included in the penny trading program, all Series of Options are quoted in increments of \$0.01, regardless of price level.
- (e) For Index Options, all Series of Options are quoted in increments of 0.01 Index point, regardless of price level.
- (f) For Futures Options, all Series of Options series are quoted in increments of 0.001 point, regardless of price level.
- (g) For currency Options, all Series of Options are quoted in increments of CAN 0.01 cent per unit of foreign currency.

[...]

11.306 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

- (a) For equity Options excluded from the penny trading program:

- (i) Option Series priced below \$0.~~5~~¹0 are quoted in increments of \$0.01.
 - (ii) Option Series priced at \$0.~~5~~¹0 or more are quoted in increments of \$0.05.
- (b) For equity Options included in the penny trading program:
 - (i) Option Series priced below \$3.00 are quoted in increments of \$0.01.
 - (ii) Option Series priced at \$3.00 or more are quoted in increments of \$0.05.

[...]

11.505 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Option Premium is:

- (a) For exchange-traded fund Options excluded from the penny trading program:
 - (i) Option Series priced below \$0.~~5~~¹0 are quoted in increments of \$0.01.
 - (ii) Option Series priced at \$0.~~5~~¹0 or more are quoted in increments of \$0.05.
- (b) For exchange-traded fund Options included in the penny trading program, all Option Series are quoted in increments of \$0.01, regardless of the Premium level.

CLEAN VERSION

6.202 Trading Against Customer Orders (Cross-Trades)

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant's own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

- (a) the customer order has first been entered on the Electronic Trading System and exposed to the market for the minimum prescribed time period established in Article 6.205; or
- (b) the Transaction is otherwise, and explicitly permitted by, and carried out in accordance with, the Rules; including, but not limited to, prearranged Transactions pursuant to Article 6.205.

[...]

6.205 Prearranged Transactions

(a) In general. For the purpose of this Article, "communication" means any communication for the purpose of discerning interest in the execution of a Transaction in the Electronic Trading System prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a Transaction.

(b) The parties to a Transaction may engage in communications to prearrange a Transaction on the Electronic Trading System in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the following conditions:

- (i) A customer consent to the Approved Participant engaging in prearranging communications on the customer's behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;
- (ii) After the first order for the prearranged Transaction is entered into the Electronic Trading System the parties may not enter the second order for the prearranged Transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
One-Month CORRA Futures Contracts (COA):		
All expiry months and strategies	5 seconds	No threshold
Three-Month CORRA Futures Contracts (CRA):		
All expiry months and strategies	5 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX and S&P/MX Indices:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 seconds	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 seconds	≥ 250 contracts

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
All expiry months and strategies	5 seconds	< 250 contracts
Options on Two-Year Government of Canada Bond Futures Contracts (OGZ):		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Five-Year Government of Canada Bond Futures Contracts (OGF):		
All expiry months and strategies	0 seconds	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity and ETF Options:		
All expiry months	0 second	≥ 250 contracts
All expiry months	1 second	< 250 contracts
All UDS Strategies	1 second	No Threshold
Currency Options :		
All expiry months	0 second	≥ 100 contracts
All expiry months	1 second	< 100 contracts
All UDS Strategies	1 second	No Threshold
Index Options:		
All expiry months	0 seconds	≥ 50 contracts
All expiry months	1 second	< 50 contracts
All UDS Strategies	1 second	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 seconds	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

(iii) The party that initiates communication regarding a prearranged Transaction shall have his or her order entered into the Electronic Trading System first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; *provided however*, that in a prearranged Transaction between an Approved Participant and a customer for an equity, ETF or Index Option, the customer's order shall

always be entered into the Electronic Trading System first, regardless of which party initiated the communication.

(iv) Limit orders resting in the Electronic Trading System at the time that the first order of the prearranged Transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged Transaction when the second order is entered.

(v) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged Transaction.

(vi) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this Article.

(c) Committed Orders. Committed orders may not be used to execute any Transaction under this Article or Article 6.202 having a prescribed time delay longer than zero seconds, and may be used for such Transactions only for the following products subject to the minimum volume threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
All expiry months and strategies	
Futures Contracts on S&P/TSX, S&P/MX and FTSE Emerging Markets Indices	100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Options on Two-Year Government of Canada Bond Futures Contracts	250 contracts
Options on Five-Year Government of Canada Bond Futures Contracts	250 contracts
Canadian Share Futures Contracts	100 contracts
All expiry months and excluding UDS strategies	
Equity and ETF Options	250 contracts
Currency Options	100 contracts
Index Options	50 contracts
Basis Trade on Close	
Futures Contracts on S&P/TSX and S&P/MX Indices	100 contracts
Canadian Share Futures Contracts	100 contracts

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

(d) Transactions on eligible products with a prescribed time delay. The parties may engage in communications to prearrange a Transaction on the Electronic Trading System where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the conditions in paragraph (a) of this Article; *provided however:*

(i) in the case of a prearranged Transaction that is between the bid and ask on the Electronic Trading System and for an amount at or greater than the minimum threshold, the parties in their

discretion may enter the prearranged Transaction as a committed order with no delay, subject to the conditions in paragraph (c) of this Article, or

(ii) in the case of a prearranged Transaction that is on or between the bid and ask on the Electronic Trading System and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged Transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged Transaction price).

(e) Equity, ETF, Index and Currency Option Strategy Transactions With 50% Guaranteed Minimum. The parties to an Option strategy Transaction may engage in communications to prearrange the Transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the Transaction, in accordance with the following conditions:

(i) Market Makers are permitted to participate on the Transaction up to a total maximum of 50% of the volume of the intended Transaction;

(ii) each Approved Participant must contact a Market Supervisor and provide details of the intended Transaction including total quantity, price, side(s) of the Transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and

(iii) the Approved Participant will be permitted to execute the Transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the Market Makers).

[...]

6.308 Minimum Price Increment

The minimum price increments are as follows:

(a) For equity Options excluded from the penny trading program:

- (i) Option series priced below \$0.50 are quoted in increments of \$0.01; and
- (ii) Option series priced at \$0.50 or more are quoted in increments of \$0.05.

(b) For equity Options included in the penny trading program:

- (i) Option series priced below \$3.00 are quoted in increments of \$0.01; and
- (ii) Option series priced at \$3.00 or more are quoted in increments of \$0.05.

(c) For ETF Options excluded from the penny trading program:

- (i) Option series priced below \$0.50 are quoted in increments of \$0.01; and
- (ii) Option series priced at \$0.50 or more are quoted in increments of \$0.05.

(d) For ETF Options included in the penny trading program, all Series of Options are quoted in increments of \$0.01, regardless of price level.

(e) For Index Options, all Series of Options are quoted in increments of 0.01 Index point, regardless of price level.

(f) For Futures Options, all Series of Options series are quoted in increments of 0.001 point, regardless of price level.

(g) For currency Options, all Series of Options are quoted in increments of CAN 0.01 cent per unit of foreign currency.

[...]

11.306 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

(a) For equity Options excluded from the penny trading program:

- (i) Option Series priced below \$0.50 are quoted in increments of \$0.01.
- (ii) Option Series priced at \$0.50 or more are quoted in increments of \$0.05.

(b) For equity Options included in the penny trading program:

- (i) Option Series priced below \$3.00 are quoted in increments of \$0.01.
- (ii) Option Series priced at \$3.00 or more are quoted in increments of \$0.05.

[...]

11.505 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Option Premium is:

(a) For exchange-traded fund Options excluded from the penny trading program:

- (i) Option Series priced below \$0.50 are quoted in increments of \$0.01.
- (ii) Option Series priced at \$0.50 or more are quoted in increments of \$0.05

(b) For exchange-traded fund Options included in the penny trading program, all Option Series are quoted in increments of \$0.01, regardless of the Premium level.