

MONTREAL EXCHANGE

Launch of 2-Year Canadian Bond Futures

On December 1st, the Montréal Exchange is launching a new market making program on 2-year Government of Canada bond futures (CGZ).

Market Makers

- BMO Capital Markets
- National Bank Financial

Benefits

- Increased number of liquid points on the Canadian listed yield curve
- Facilitate hedging for shorter maturity instruments
- Enhance cross-market trade opportunities
- Enable trading strategies alongside Canadian STIR futures (BAX) and other GoC bond futures contracts

Potential for a Vibrant Canadian 2-Year Futures Market

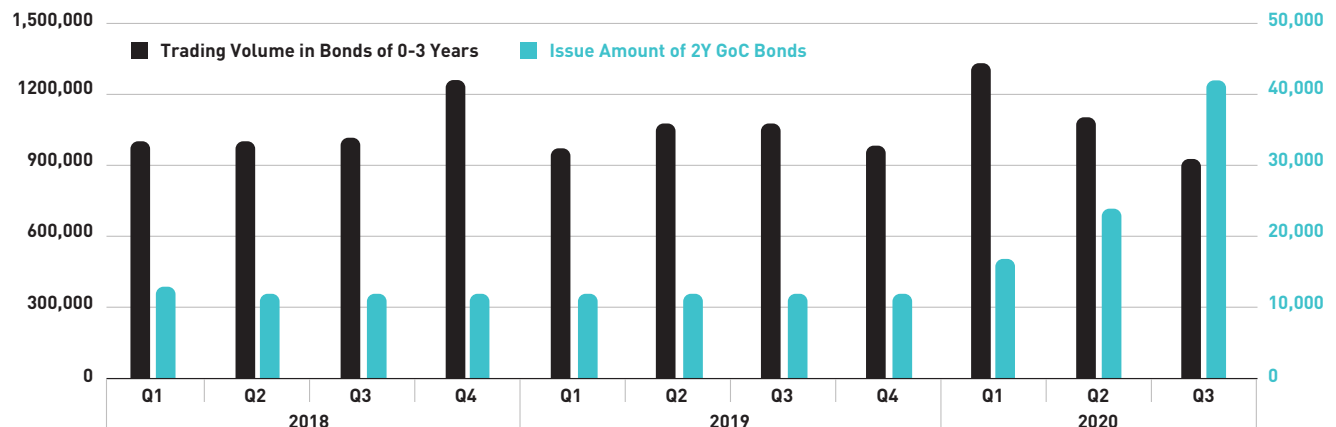
- Significant daily activity in underlying cash 0-3Y segment (ADV of C\$18B, Sep YTD), representing nearly 40% of overall nominal bond trading
- Record 2Y and 3Y GoC bond issuances will drive need for risk management

KEY CONTRACT SPECIFICATIONS

Bloomberg Ticker	CVA Comdty
Contract Size (underlying)	C\$100,000 nominal value of a GoC bond
Notional Coupon	6%
Price Quotation	Per C\$100 nominal value
Minimum Price Fluctuation	0.005 = C\$5 per contract
Duration (of the CTD)*	1.75 years
DV01 (\$ per contract)*	C\$20.00
Remaining Term to Maturity of Deliverable Bonds	1.5 - 2.5 years
Minimum Outstanding Amount of Deliverable Bonds	C\$2.4 billion
Contract Type	Physical delivery of eligible Government of Canada bonds

* Indicative figures

GoC Bond Trading and Issuance (in \$MM)



Source: IIROC and Bank of Canada statistics

Trading Strategies & Uses

Along with the flagship 5Y (CGF) and 10Y (CGB) Canadian bond futures, CGZ is a cost-efficient and simple way to:

- Manage interest rate risk, duration and portfolio risk profiles
- Hedge GoC bond holdings
- Trade yield spread between countries
- Canadian credit spread trades
- Basis and invoice spread strategies
- Replicate synthetic bond positions (long or short)

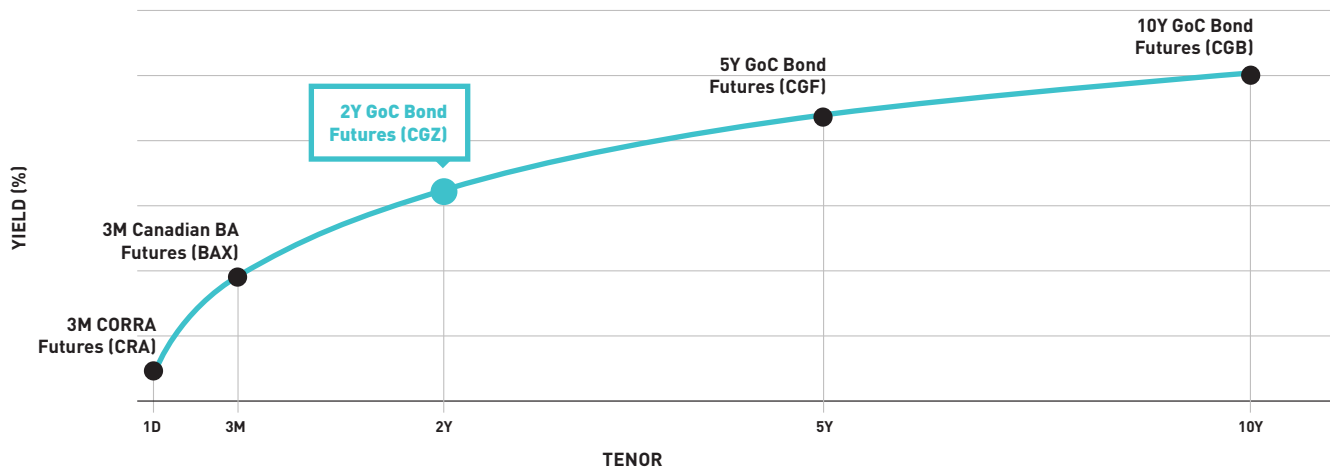
Curve Trades

- Ability to trade curve spread strategies against CGF or CGB in a single transaction via the Montréal Exchange's Inter-Group Strategy (IGS) functionality
- Trade using a predefined ratio, reducing inherent execution risk
 - Strategy pricing: (Listed leg1 ratio x Leg1 price) - (Listed leg2 ratio x Leg2 price)
- Implied pricing algorithm allows outright quotes to imply orders in the strategy book, and quotes in the strategy book to imply into the respective outright order books

Available curve strategies:

- 2Y / 5Y GoC bond futures spread (3:1 ratio): 3CGZH21-1CGFH21
- 2Y / 10Y GoC bond futures spread (6:1 ratio): 6CGZH21-1CGBH21
- 2Y / 5Y / 10Y GoC bond futures butterfly (6:4:1 ratio): 6CGZH21-4CGFH21+1CGBH21

Canadian Listed Yield Curve



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