

MONTRÉAL EXCHANGE

TMX Trading Simulator's Quick Guide



Orders

Trading

Market order

A market order will be executed at the current marketable price.

Limit order

Order to buy or sell at a specific price or better.

Option strategy limit order

A multi-legged order can be executed at a limit price expressed as a "Net Price". Prices on multi-legged strategies comprised of an equity leg must be expressed on a per share basis.

For example:

1. Buy 100 shares at \$75,00
2. Sell 1 option at \$1.00
3. Net Price: \$74 debit
4. By submitting this strategy order with a debit of \$74.00, the total cost will be \$7,400.00.

TD <small>TSX</small> <u>The Toronto-Dominion Bank</u>	75.24 <small>LAST</small>	-1.08 <small>-1.42 % DAILY CHG</small>	75.24 <small>BID</small>	75.25 <small>ASK</small>	1,887,256 <small>VOLUME</small>	13:39:20 <small>TIME</small>
	<input type="text" value="Buy"/>	<input type="text" value="Qty 100"/>				
TD180323C76.00 <small>MX</small>	0.15 <small>LAST</small>	-0.38 <small>-71.70 % DAILY CHG</small>	0.05 <small>BID</small>	0.11 <small>ASK</small>	10 <small>VOLUME</small>	23/03/2018 <small>EXPIRATION</small>
	<input type="text" value="23 MAR 2018"/>	<input type="text" value="76.0"/>	<input type="text" value="Call"/>	<input type="text" value="Sell To Open"/>	<input type="text" value="Qty 1"/>	
	<small>Price</small>	<small>Limit</small>	<small>Duration</small>			
	<input type="text" value="Limit"/>	<input type="text" value="74.000"/>	<input type="text" value="Day"/>			
Estimated Costs:	<small>Commission:</small>	<small>\$9.95</small>	<small>Order:</small>	<small>\$7,400.00</small>		
			<small>Total:</small>	<small>\$7,409.95</small>	<input type="button" value="PREVIEW"/>	

Stop order

You can enter stop orders on stocks. Stop orders will be triggered when the stop price is reached. Stop orders have the following behaviours:

- Sell:** The order will be activated when the stock's last price is below or equal to the stop price. The order will then be executed at the bid price.
- Buy:** The order will be activated when the stock's last price is above or equal to the stop price. The order will then be executed at the ask price.

Stop limit order

You can enter stop limit orders on stocks. When the stock price reaches the stop price, the order will be filled at the limit price. Stop limit orders have the following behaviours:

- Sell:** The order will be activated when the stock's last price is equal or lower than the stop price. The order will then be executed as a limit order using the specified limit price.
- Buy:** The order will be activated when the stock's last price is equal or greater than the stop price. The order will then be executed as a limit order using the specified limit price.

Day order

- If the markets are open, when placing a day order, the order will be disseminated immediately.
- If the markets are closed, the order will be held until next trading day.
- Day orders expire at the end of the trading day.

Good'til canceled order

If the order is not filled within 45 days, it will be canceled.

Commissions

A flat commission fee will be charged for every transaction (including multi-legged strategies). The commission will be displayed in the order details before placing an order. If an order gets multiple fills on different days, only one commission will be charged.

Special order rules

Short sell stock:

- A long position holder cannot short sell stocks (i.e. cannot hold both a long and short position on the same stock).
- One cannot go from long to short in one transaction.

Multi-legged order:

- Before expiration, multi-legged strategies must be closed in one transaction, as a strategy.
- Options strategies cannot be "reversed" or "shorted". It is only possible to buy or sell the supported options strategies.

General:

- A position cannot have multiple open orders on the same position.
- Options cannot be exercised or assigned before expiration.

Expiration

When an option position expires, actions are automatically taken by the system. A process running at the close verifies expiration dates of all option positions and takes predetermined actions on expired positions. This section describes the process.

Physical settlement

Outright transaction

Long option position

When a long option position expires, two scenarios are possible:

In-the-money

Long in-the-money options are exercised.

In the case of a call, a long position on the underlying is acquired. If there is already a short position on the underlying, it will be subtracted from the long position that needs to be acquired. The result is a single position, either short or long, for the quantity equal to this subtraction.

In the case of a put, a short position on the underlying is acquired. If there is already a long position on the underlying, it will be subtracted from the short position that needs to be acquired. The result is a single position, either short or long, for the quantity equal to this subtraction.

Out-of-the-money

Long out-of-the-money options expire worthless. The positions are removed and no other positions are created or affected.

Short option position

When a short option position expires, two scenarios are possible:

Out-of-the-money

Short out-of-the-money options expire worthless. The positions are removed and no other positions are created or affected.

In-the-money

Short in-the-money options are assigned.

In the case of a call, a short position on the underlying is acquired. If there is already a long position on the underlying, it will be subtracted from the short position that needs to be acquired. The result is a single position, either short or long, for the quantity equal to this subtraction.

In the case of a put, a long position on the underlying is acquired. If there is already a short position on the underlying, it will be subtracted from the long position that needs to be acquired. The result is a single position, either short or long, for the quantity equal to this subtraction.

Multi-legged strategy

At expiration, each leg of a multi-legged strategy will be treated individually. In many cases, all that will be left is a position on the underlying, offsetted by the different results of each expired option leg. As described above, an option that is assigned or exercised will try to offset the already existing underlying positions. If there are no underlying positions, a new position will be created to reflect the result of the assignment (or exercise).

Cash settlement

Upon expiry, contracts that are cash settled will be settled by debiting or crediting the difference between the strike price and the spot price (or official index level).

- For SXO options, the Simulator uses the official opening level of the S&P/TSX 60 index on the expiration day.
- For USX options, the Simulator uses the Bank of Canada rate at noon on the expiration day.

Margin ratios

Stocks (TSX & TSXV[†])

Long position

Initial margin If stock price => \$2.00, then 50% * Stock value

Short position

Initial margin If stock price => \$2.00, then 50% * Stock value

Options

Long call or put

Initial margin Cost of the option is subtracted from cash.

Short call

Initial margin Call price + Maximum (((30% * Underlying price) – Out-of-the-money amount), 10% * Underlying price)

Short put

Initial margin Put price + Maximum (((30% * Underlying price) – Out-of-the-money amount), 10% * Strike price)

Covered calls

Initial margin Stock initial margin requirement + In-the-money amount

Call spread

Initial margin Maximum ((Strike long call – Strike short call), 0)

Put spread

Initial margin Maximum ((Short put strike – Long put strike), 0)

[†] TSX Venture stocks are also eligible for margin in the system. Reduced Margin are not supported. Stocks under \$2.00 are not eligible for margin.

Margin call

A margin call notification¹ will be sent to teams when the buying power of their portfolio goes below zero. The buying power of your portfolio will be automatically calculated and listed just below the market value of your portfolio.

The initial buying power of your portfolio will be equal to the initial amount of cash available, therefore \$100,000. Once you start executing transactions, your buying power will be adjusted depending on what happens to your holdings.

For example, your buying power may decrease and become negative if your options are exercised and your portfolio doesn't contain the required amount of cash.

Your buying power also increases or decreases with the value of the stocks in the portfolio. Therefore, unrealized gains on a stock will increase your buying power and unrealized losses on a stock will decrease your buying power.

Thus, in order to recover from a negative buying power, all you have to do is close some of your positions.

Always make sure to take into consideration your current buying power before executing additional strategies in order to better manage the risk associated to your overall portfolio.

1. Options Trading Simulation only

For more information

Please contact Montréal Exchange if you have any additional questions or require further clarification.

GENERAL ENQUIRIES

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