

## MONTREAL EXCHANGE

# Montréal Exchange and CDCC Extended Hours Project Overview

### Summary

Bourse de Montréal Inc. (the “Bourse”) is extending its trading hours by opening its market at 2:00 a.m. ET (7:00 a.m. London time)<sup>1</sup>. The Bourse has successfully established itself as Canada’s benchmark and while it is undoubtedly a strong local exchange, the need for Canadian listed derivatives is growing globally and market participants’ needs are changing. The Bourse has decided to extend its trading hours in order to remain competitive, continue to grow its markets and address the needs of market participants and end-users. This initiative will accommodate trading and risk management needs globally, by allowing domestic and international clients to manage their exposure to Canadian markets and execute cross-market strategies during non-regular Canadian business hours. By extending its trading hours, the Bourse aims to foster and enhance transparency and price discovery while increasing market participation, which in turn is expected to enhance market depth and liquidity on its listed derivatives, over the long-term. This will ultimately benefit the Canadian listed derivatives market and its participants overall. The extension of trading hours will also help the Bourse expand globally, diversify its existing client base, as well as develop new liquidity centers.

**Bourse de  
Montréal Inc.  
is extending its  
trading hours  
by opening its  
market at  
2:00 a.m. ET  
(7:00 a.m.  
London time)<sup>1</sup>**

All times indicated in this document are Eastern Time - ET.

Modifications described herein are subject to the completion of the self-certification process and, when applicable, to obtaining final regulatory approvals.

### Launch Date

**October 9, 2018**

# Products in Scope at Launch

## Interest rate derivatives

<b>ONX</b>	30-Day Overnight Repo Rate Futures	<b>OIS</b>	Overnight Index Swap Futures
<b>BAX</b>	Three-Month Canadian Bankers' Acceptance Futures	<b>OBX</b>	Options on Three-Month Canadian Bankers' Acceptance Futures
<b>CGZ</b>	Two-Year Government of Canada Bond Futures	<b>CGF</b>	Five-Year Government of Canada Bond Futures
<b>CGB</b>	Ten-Year Government of Canada Bond Futures	<b>OGB</b>	Options on Ten-Year Government of Canada Bond Futures
<b>LGB</b>	30-Year Government of Canada Bond Futures		

## Trading Stages

### Interest rate derivatives

#### NEW TIME

(as of October 9, 2018)

	Stages	Description
<b>1:30 a.m.</b>	Pre-opening	Order entry, cancellation and modification permitted.
<b>1:59:15 a.m.</b>	No-cancel	Order entry permitted; cancellation and modification not permitted.
<b>2:00 a.m. (± 15 seconds)</b>	<b>Opening</b> (regular session)	Order entry, cancellation and modification permitted.
<b>4:30 p.m.</b>	Closing	Order entry, cancellation and modification not permitted.

- For interest rate derivative products, the trading day will start at 2:00 a.m. and end at 4:30 p.m., and will consist of one single continuous trading session.
- On early closing days, interest rate derivatives will close for trading at 1:30 p.m.

# Gateways & Services Schedule

<b>SERVICE</b>	<b>New Opening Time (Weekday)</b> (as of October 9, 2018)
LOPR	1:00 a.m.
HSVF (Retransmit)	1:00 a.m.
HSVF Dictionary	1:00 a.m.
OBF Dictionary	1:00 a.m.
OBF (Retransmit)	1:00 a.m.
FIX	1:15 a.m.
ATR	1:15 a.m.
Clearing API	1:15 a.m.
SAIL - Drop Copy	1:15 a.m.
SAIL	1:15 a.m.
TMS	1:30 a.m.

## Impacts on Trading and Related Services

The Bourse will offer the same level of service and trading experience for the full length of the trading day, regardless of the time, including continuous support (trading and connectivity).

### Trading

- Electronic access
- Block trades
- Exchange for Risk/Exchange for Physical (EFR/EFPP)
- Crosses & prearranged transactions

### Risk Management Services

- Drop copy
- Global Cancel functionality
- While Connected functionality for day orders
- Pre-Trade Validation API (PTV)

### Post-Trade Services

- Trade Management System (TMS)
- Clearing API
- Automated Trade Reporting (ATR)
- Large Open Positions Report (LOPR) service

## Orders & Duration

- Clients can trade an array of order types and durations on the SOLA trading platform. Order types and duration qualifiers vary according to the product and each client's trading application. All current price and duration types applicable on each respective product will be available as of the earlier opening time for products in scope.

## Order Functionalities

- Committed Order Functionality (COF)
- User-Defined Strategies (UDS)

## Other Services

- Participant Activity Reports (PAR)

## Market Data Feed

- **HSVF:** High Speed Vendor Feed for access to MX's real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics).
- **OBF:** Real-time binary MX Order Book Feed offers clients full depth-of-book and order-by-order detail for all derivative products traded on the Exchange.

## Impacts on Clearing

CDCC will add an intra-day margin call at 7:15 a.m. (initial margin call (IM)) to minimize intraday uncovered exposure. CDCC will use the same procedures as those currently used for existing intraday margin calls. Trades will all be novated on a real-time basis as of the earlier opening time. Clearing members will be required to be available during the earlier hours to respond to potential inquiries and escalation in case of rare uncovered material exposure. Additionally, CDCC has developed an internal overnight escalation and notification process to enhance the management of unanticipated situations and market conditions during the extended hours period.

- Overnight prices and volumes variations will be monitored;
- An internal alert could be launched if prices exceed a set of defined thresholds;
- Should the thresholds be violated, CDCC will run an unscheduled margin calculation overnight to measure the uncovered exposure of each Clearing Member (CM), i.e. the Initial Margin (IM) and Mark-to-Market (MTM) not covered by collateral;
- Based on the results, CDCC will assess whether it disposes of sufficient financial resources to cover the default of the largest exposure from one CM and its affiliates;
- Depending on the outcome of the assessment, CDCC may choose to take exceptional measures.

## Impacts on the Regulatory Division of the Bourse

The Regulatory Division protects market integrity by conducting regulatory activities such as examinations, market analyses, investigations, and enforcement. The Regulatory Division has independently reviewed and evaluated the impacts of the project on its regulatory activities. The same rules and procedures that apply for regular trading hours will apply to trades executed during the extended hours. The Regulatory Division will be monitoring the extended hours activities and may adapt its activities where and if necessary.

## Key Rule Changes

### 1. Block Trades (thresholds and prescribed time delay)

During the extended trading hours period, the Bourse will implement reduced minimum block thresholds and an increased prescribed time delay, as per indicated subsequently. Prescribed time delay and minimum block thresholds as of 6:00 a.m. are not impacted by this project and can be found in article 6380d of the Rules of the Bourse.

<b>ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS</b>	<b>Prescribed time delay</b> (from 2:00 a.m. until 5:59:59 a.m.)	<b>Block - Minimum volume threshold</b> (from 2:00 a.m. until 5:59:59 a.m.)
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies one through four (BAX Whites)</b>	1 hour	500 contracts
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies five through eight (BAX Reds)</b>	1 hour	250 contracts
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies nine through twelve (BAX Greens)</b>	1 hour	100 contracts
<b>Options on Three-Month Canadian Bankers' Acceptance Futures (OBX)</b>	1 hour	500 contracts
<b>Ten-Year Government of Canada Bond Futures (CGB)</b>	1 hour	350 contracts
<b>Five-Year Government of Canada Bond Futures (CGF)</b>	1 hour	100 contracts
<b>Two-Year Government of Canada Bond Futures (CGZ)</b>	1 hour	100 contracts
<b>30-Year Government of Canada Bond Futures (LGB)</b>	1 hour	100 contracts
<b>30-Day Overnight Repo Rate Futures (ONX)</b>	1 hour	250 contracts
<b>Overnight Index Swap Futures (OIS)</b>	1 hour	50 contracts

## 2. Definition of Approved Person (effective as of July 12, 2018)

The Bourse is expanding the eligibility criteria for Approved Persons, so that employees of an Approved Participant's affiliated corporations or subsidiaries located in a jurisdiction recognized by the Bourse will be eligible for Approved Person status on behalf of that Approved Participant. Approved Persons are the individuals permitted to enter trades directly on the Bourse's trading engine, and notably to enter block trades and special terms transactions (EFP, EFR, RBC). Approved Participants will have the option, but not the obligation, to appoint employees of its affiliated corporations or subsidiaries as Approved Persons to act on their behalf. Approved Persons are subject to the same obligations whether they are employed by an Approved Participant or an affiliated corporation or subsidiary of an Approved Participant. Approved Participants remain at all times responsible for the acts and omissions of all their Approved Persons and the same obligations apply to the Approved Participant with respect to them.

The expansion of the Approved Person eligibility criteria does not impact the rules on Direct Electronic Access ("DEA") which remain separate and unchanged. In other words, those who currently access the Bourse's market through DEA provided by an Approved Participant will be able to maintain the current practice and in particular, will not be required to become Approved Persons for the purposes of DEA.

## Regulatory Requirements

Participants, users and prospective users of the Bourse and their respective representatives are responsible for ensuring that they are acting in compliance with the applicable laws and/or regulatory requirements, in their home jurisdiction and in Canada, and should therefore seek their own legal advice when considering entering orders on the Bourse from Canada or outside of Canada. Among other considerations, Approved Participants seeking to register employees of their affiliated corporations or subsidiaries as their own Approved Persons with the Bourse should be mindful of the registration requirements this could trigger either in their home jurisdiction or in Canada. Registration requirements in Canada are enacted by the Canadian Securities Administrators in each province and registration as an investment dealer is granted for some provinces by the Investment Industry Regulatory Organization of Canada (IIROC). Approved Person status granted by the Bourse does not supersede or provide an exemption from other applicable registration requirements.

## Related Circulars

### Montréal Exchange Regulatory Files

Extended Hours: [165-17](#)

Approved Persons: [166-17](#)

### CDCC Regulatory File

Extended Hours: [157-17](#)

### Market Making

Call for Interest - Extended Market Making: [032-18](#)

Request for Proposal - Extended Market Making:

- BAX: [081-18](#)
- CGB: [082-18](#)
- OBX: [083-18](#)

Montréal Exchange - Extended Hours website :

[m-x.ca/yourtime](https://m-x.ca/yourtime)

# Key contacts - Europe and Asia

## **NICK THOMAS**

Manager, Business Development, Europe  
C +44(0)7833 230 233  
nick.thomas@tmx.com

## **DAVID HELPS**

Head of International Business Development  
C +44(0)7377 673 816  
david.helps@tmx.com

# Key contacts - North America

## **ROBERT TASCA**

Director, Interest Rate Derivatives and  
Client Solutions Group  
T +1 514 871-3501  
robert.tasca@tmx.com

## **ROBERT DOMANKO**

Head of Institutional Client Sales  
T +1 514 787-6453  
robert.domanko@tmx.com

## **MARK GUNNIP**

Senior Manager, Business Development  
T +1 514 871-3502  
mark.gunnip@tmx.com

## **MARK BOURCIER**

Senior Account Manager, Market Access  
T +1 514 871-3581  
mark.bourcier@tmx.com

## **KRISTINA MANN-KRZISNIK**

Senior Analyst, Interest Rate Derivatives and  
Client Solutions Group  
T +1 514 787-6514  
kristina.mann-krzisnik@tmx.com

## **MARKET OPERATIONS DEPARTMENT**

T +1 514 871-7871  
T +1 888 693-6366 (Toll Free)  
monitoring@tmx.com

## **TECHNICAL HELP DESK**

T +1 514 871-7872  
T +1 877 588-8489 (Toll Free)  
samsupport@tmx.com

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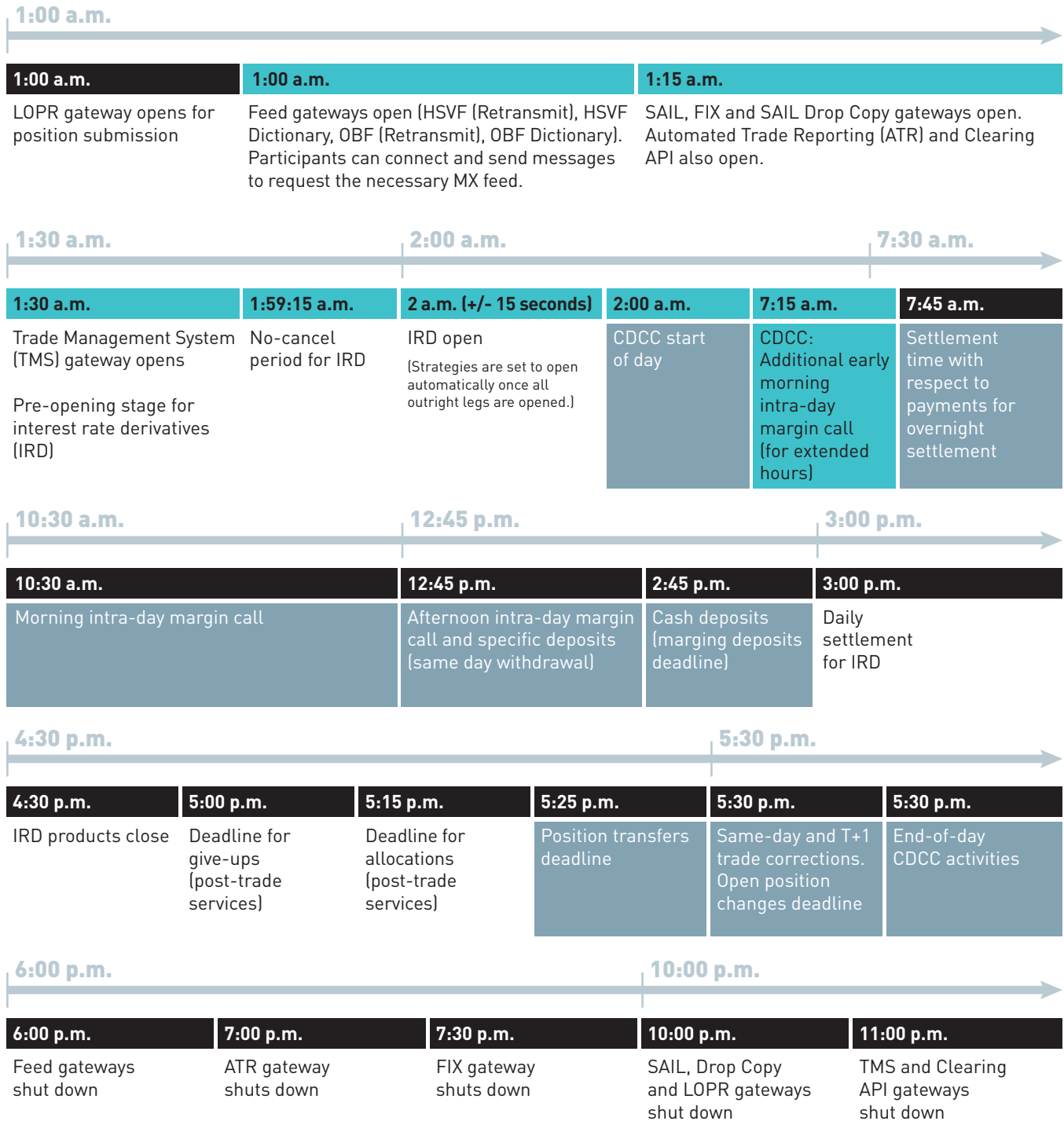
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July 2018

# Appendix

## New Montréal Exchange and CDCC operations timeline

Products that are not in scope at launch are not displayed in the timeline below as their trading hours are not impacted by the extended hours project.



■ Modifications to the operations timeline in a 2:00 a.m. opening context.

■ Clearing-related items .