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CIRCULAR 014-15

February 12, 2015

SELF-CERTIFICATION

METHODOLOGY PROPOSED TO ESTABLISH POSITION LIMITS

AMENDMENTS TO ARTICLES

15508, 15608, 15708, 15758, 15908, 15977, 15998.7 AND 15999.10

The Rules and Policies Committee and the Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) have approved amendments to articles 15508, 15608, 15908 and 15998.7 of the Rules of the Bourse in order to amend the methodology used for establishing the first contract month position limit for Government of Canada Bond futures contracts. These changes were self certified in accordance with the self-certification process as established in the Derivatives Act (R.S.Q., Chapter I-14.01) and **will take effect February 13, 2015 after market close.**

Comments received

The rule changes described in the present circular were published for public comment by the Bourse on September 29, 2014 (Circular 135-14 – Appendix 1). A summary of the comments received as well as responses from the Bourse to these comments are appended.

Further to comments received from the *Autorité des marchés financiers*, several amendments were made to the modifications as originally published for comment on September 29, 2014 (circular 135-14). First, a ceiling of the futures contract equivalent of 5% of the total outstanding amount of Government of Canada bonds eligible for delivery was added to the first contract month limit. Second, the Bourse withdrew the modification of the frequency of publication of position limits. Finally, precision was added to the text allowing the Bourse to establish different position limits for futures contracts.

For further information, please contact Mr. Giancarlo Percio, Senior Market Analyst, Regulatory Division at 514 787-6484 or by e-mail atgpercio@m-x.ca.

Brian Z. Gelfand
Vice President and Chief Regulatory Officer



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<input checked="" type="checkbox"/>	Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/>	Technology
<input checked="" type="checkbox"/>	Back-office – Futures	<input checked="" type="checkbox"/>	Regulation

CIRCULAR 135-14
September 29, 2014

REQUEST FOR COMMENTS

METHODOLOGY PROPOSED TO ESTABLISH POSITION LIMITS AND PUBLICATION FREQUENCY OF THE POSITION LIMITS

AMENDMENTS TO ARTICLES 15508, 15608, 15908 AND 15998.7

The Rules and Policies Committee and the Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) have approved amendments to articles 15508, 15608, 15908 and 15998.7 of the Rules of the Bourse in order to amend the methodology used for establishing the first contract month position limit for Government of Canada Bond futures contracts and to amend the publication frequency of the Bourse's position limits.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of this notice, at the latest on **October 29, 2014**. Please submit your comments to:

M^e Pauline Ascoli
Vice-President, Legal Affairs, Derivatives
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Québec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the Autorité) to:

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

Appendices

For your information, you will find in the appendices an analysis of the proposed amendments as well as the amended articles 15508, 15608, 15908 and 15998.7 of the Rules of the Bourse. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as determined by the *Derivatives Act* (R.S.Q., chapter I-14.01).

Process for Changes to the Rules

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules and Procedures. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as determined by the *Derivatives Act* (R.S.Q., chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.



METHODOLOGY PROPOSED TO ESTABLISH POSITION LIMITS AND PUBLICATION FREQUENCY OF THE POSITION LIMITS

AMENDMENTS TO ARTICLES 15508, 15608, 15908 AND 15998.7

I. INTRODUCTION

Bourse de Montréal Inc. (the Bourse) proposes to amend the methodology used for establishing the first contract month position limit for Government of Canada Bond futures contracts (the “First-Month Limit”), described in article 15608 – Position Limits of the Rules of the Bourse. It is proposed that the First-Month Limit be based on 20% of the open interest, for that contract month, at the open of the first business day prior to the First Delivery Notice day and that this position limit remain fixed until the expiration of the contract.

The Bourse also proposes to amend the publication frequency of its position limits as outlined in articles: 15508 – Position Limits, 15908 – Position Limits, and 15998.7 – Position Limits of the Rules of the Bourse. It is proposed that the publication frequency be removed from the preceding articles.

The present proposal will involve the modification of the methodology used to compute the First-Month Limit for Government of Canada Bond futures contracts as well as the frequency at which all position limits are published, as outlined in articles 15508, 15908, and 15998.7.

II. DETAILED ANALYSIS

Nature and Purpose of Proposed Changes

The proposed amendment regarding the First-Month Limit component of article 15608 aims at addressing practical issues posed by the current computation methodology. As indicated in the methodology: “*Effective at the start of trading on the first business day prior to the First Delivery Notice day of the first contract month, the position limit shall be 20% of the open interest of that contract month.*”¹

It is important to note that the purpose of this provision is to prevent excessive position concentration and potential disorderly pricing in the market for the contract that is going to delivery. These limits are intended specifically for speculative traders, and in the United States are often specifically referred to as Speculative Position Limits. According to the CFTC the

¹ http://www.m-x.ca/f_regles_en/15_en.pdf

purpose of these limits - both First contract month (spot month) and non—spot month position limits are to “*prevent excessive speculation and manipulation while ensuring sufficient market liquidity for bona fide hedgers and protecting the price discovery process.*”²”

The current Bourse methodology for setting First-Month Limits requires that a new limit be calculated on a daily basis based on daily open interest. While this methodology can prevent excessive concentration, it presents serious challenges for market participants and can lead to a reduction in market liquidity as well as the potential exacerbation of disorderly pricing as opposed to its prevention.

Typically, the open interest of the First contract month decreases dramatically as the First Delivery Notice day approaches since the great majority of positions for that contract month are typically rolled over to the next contract month. The current First-Month Limit methodology results in a dynamic limit that most often decreases every day.

This daily reduction in open interest of the First contract month may cause market participants who wish to legitimately take their positions to delivery to inadvertently exceed the prescribed limit. Market participants needing to reduce their positions on the First contract month following the First Delivery Notice day may find themselves in contravention of the article without being able to efficiently remedy the situation since they may be unable to find counterparties in order to reduce the position.

In addition, the current provisions do not make it practical for participants acting as liquidity providers to facilitate orders from market participants wishing to reduce or close out their First month positions since liquidity providers may, themselves, be at risk of exceeding the limit from one day to the next. The dramatic daily reduction of the First contract month open interest and related position limit may thereby lead to a decrease in potential counterparties which may increase the potential for disorderly pricing.

² http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/pl_qa_final.pdf

The following benchmarking was undertaken in order to establish industry standards for First-Month Limits rules:

Exchange	Instrument Type Used for Benchmarking	Is a First contract month position limit applied?	Effective Period	Is the First contract month position limit static or dynamic during the effective period?
Montreal Exchange	Government of Canada Bond Futures Contract	Yes	Start of the first business day prior to the First Delivery Notice day of the first contract month	Dynamic
CBOT	US Treasury Bond Futures & US Treasury Notes Futures	Yes	Effective during the last 10 trading days in expiring month	Static
ASX	Treasury Bond Futures Position Limits	Yes	Effective at the close of trading on T-1 and the remaining life of the contract	Static
CFTC	Physical Commodity Futures Contract	Yes	The spot-month period is specific to each commodity contract, need not correspond to a month-long period, and may extend through the period when delivery obligations are incurred	Static

As indicated previously the reduction in open interest in the First contract month may in itself cause a self-perpetuating reduction in liquidity. Given the preceding it is concluded that the combination of a decreasing open interest for the First contract month and a daily re-assessment of its position limit may inevitably threaten the liquidity and price discovery process of Government of Canada Bond Futures contracts.

A further risk posed by the current methodology is that operational issues for market participants caused by the dynamic First-Month Limit may lead to an outflow of trading activity towards Over the Counter (OTC) markets. Therefore, rather than preventing possible disorderly pricing the First-Month Limit may lead to a decrease in transparency. This is especially true for the futures market which is predominantly comprised of sophisticated investors with access to OTC markets. OTC transactions may be used in an attempt to circumvent position limits imposed by regulatory bodies. This was acknowledged by the Securities and Exchange Commission (SEC) when it stated that position and exercise limits for standardized equity options should allow exchanges to compete with the OTC market and prevent the outflow of large customers (mutual funds, hedge funds, and pension funds) towards OTC markets:

“The Commission highlighted competition with the OTC markets as a reason for increasing the standard position and exercise limits in 1998. Specifically, the Commission stated:

The increase in position and exercise limits for standardized equity options should allow the Exchanges to better compete with the growing OTC market in customized equity options, thereby encouraging fair competition among brokers and exchange markets.”³

Although the above text makes reference to OTC options transactions it recognizes the ability of market participants to circumvent market controls via OTC transactions, which is a reality that is also present in the futures industry.

³ <https://www.sec.gov/rules/sro/cboe/2008/34-57352.pdf>

Lastly, as part of the second component of this amendment request, it is proposed that the wording, of articles 15508, 15908, and 15998.7, referring to the publication frequency of position limits be removed from the articles in question so as to permit for a more timely publication of position limits. A monthly position limit publication may quickly become obsolete, therefore frequent publications, such as a daily or weekly publication, would be more appropriate to reflect actual market conditions. The monthly publication requirement should not prevent the Bourse from publishing the required limits on a more frequent schedule if necessary.

Note that although the preceding amendment is being requested to permit the possible increase of the position limits publication frequency the First-Month Limit will be calculated once at the beginning of the effective period and will remain static throughout the effective period; the same first contract position limit would be published throughout the effective period.

Impacts on Technological Systems

The intended impacts on technological systems of both the Bourse and approved participants are considered to be minimal. Participants will not have to make any changes to their technological infrastructure.

Benchmarking

http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/pl_qa_final.pdf
<http://www.cmegroup.com/rulebook/CBOT/V/18/18.pdf>
<http://www.cmegroup.com/rulebook/CBOT/I/5/5.pdf>
http://www.sfe.com.au/content/notices/2014/notice2014_008.pdf

III. SUMMARY OF THE PROPOSED AMENDMENTS TO THE RULES AND/OR PROCEDURES OF THE BOURSE

Amendment to Bourse Rule 15, specifically:

1. The methodology outlined in the First-Month Limit component of article 15608 of the rules of the Bourse de Montréal Inc. (the Bourse).
2. The frequency at which position limits are published as outlined in articles: 15508, 15908, and 15998.7

IV. OBJECTIVE OF THE PROPOSED AMENDMENTS TO THE RULES OF THE BOURSE

- Amendment (1) is being proposed to reflect the practical realities of the Government of Canada Bond Futures contracts.
- Amendment (1) is being proposed to ensure that the liquidity and price discovery processes of Government of Canada Bond Futures contracts are not threatened.
- Amendment (2) is being proposed to permit for a more timely publication of position limits if deemed necessary.

V. PUBLIC INTEREST

The proposed amendments are in the public interest since amendment (1) will ensure that the principal objective of the First-Month Limit - the prevention of excessive concentration and disorderly pricing - is maintained while ensuring that the liquidity and price discovery processes of Government of Canada Bond Futures are not impaired. This change will result in a more efficient and equitable market. Lastly, amendment (2) is aimed at facilitating the production and dissemination of timely position limits whose purpose is to prevent activities that are detrimental to the marketplace and permit for the maintaining of marketplace integrity.

VI. PROCESS

The first step in the approval process for the regulatory amendments discussed herein is to have them approved by the Special Committee – Regulatory Division. These amendments will then be submitted to the Bourse’s Rules and Policies Committee.

Once approved by the Special Committee - Regulatory Division and the Rules and Policies Committee, the proposed amendments, including this document, will be published simultaneously by the Bourse for a 30-day comment period and submitted to the Autorité des marchés financiers (AMF) for self-certification. The AMF will also publish the proposed amendments as well as a 30-day request for comments in its weekly bulletin.

A copy of the proposed amendments will be delivered for information purposes to the Ontario Securities Commission.

VII. REFERENCES

Rule 15608, 15508, 15908, and 15998.7:

http://www.m-x.ca/f_regles_en/15_en.pdf

http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/pl_qa_final.pdf

<http://www.cmegroup.com/rulebook/CBOT/V/18/18.pdf>

<http://www.cmegroup.com/rulebook/CBOT/I/5/5.pdf>

http://www.sfe.com.au/content/notices/2014/notice2014_008.pdf

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

15508 Position Limits

(22.04.88, 08.09.89, 30.12.93, 07.04.94, 20.06.03, 15.05.09, .00.00.00)

The maximum number of net long or net short positions in all contract months combined in Canadian bankers' acceptance futures contracts which a person may own or control in accordance with article 14157 shall be as follows:

the greater of 4,000 contracts or of such a limit to be established and published ~~on a monthly basis~~ by the Bourse based on 20% of the average daily open interest for all Canadian bankers' acceptance futures contracts during the preceding three calendar months

or such other position limits as may be determined by the Bourse.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

15608 Position Limits

(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04, 17.04.09, .00.00.00)

The maximum net long or net short position in each designated Government of Canada Bond futures contract which a person may own or control in accordance with article 14157 shall be as follows:

Position limit for all delivery months combined for each designated Government of Canada bond futures contract:

The greater of 4,000 contracts, or of 20% of the average daily open interest for all contract months during the preceding three calendar months.

First contract month position limit:

The position limit for the first contract month shall be based on 20% of the open interest of that contract month at the start of trading ~~Effective at the start of trading~~ on the first business day prior to the First Delivery Notice day of the first contract month, ~~the position limit and will become effective on the first business day prior to the First Delivery Notice day shall be 20% of the open interest~~ of that contract month.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

15908 Position Limits

(14.06.02, 15.05.09, .00.00.00)

The maximum number of net long or net short positions in all contract months combined in 30-day repo rate futures contracts which a person may own or control in accordance with article 14157 shall be as follows:

- a) for speculators 5,000 contracts

- b) for hedgers the greater of 7,000 contracts or of such a limit to be established and published ~~on a monthly basis~~ by the Bourse based on 20% of the average daily open interest for all 30-day overnight repo rate futures contracts during the preceding three calendar months

or such other position limits as may be determined by the Bourse.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

15998.7 Position Limits

(16.02.12, ~~00.00.00~~)

The maximum number of net long or net short positions in all contract months combined in overnight index swap futures contracts which a person may own or control in accordance with article 14157 shall be as follows:

- a) for speculators 5,000 contracts
- b) for hedgers the greater of 7,000 contracts or of such a limit to be established and published ~~on a monthly basis~~ by the Bourse based on 20% of the average daily open interest for all overnight index swap futures contracts during the preceding three calendar months

or such other position limits as may be determined by the Bourse.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

15508 Position Limits for Banker's Acceptance Futures Contracts
(22.04.88, 08.09.89, 30.12.93, 07.04.94, 20.06.03, 15.05.09, 13.02.15)

~~The maximum number of net Long Position or net Short Positions~~ in all contract months combined in Canadian bankers' acceptance futures contracts which a person may own or control in accordance with article 14157 ~~shall be as follows:~~ the greater of:

~~the greater of a) 4,000 contracts; or of such a limit to be established and published on a monthly basis by the Bourse based on~~

b) 20% of the average daily open interest for all Canadian bankers' acceptance futures contracts during the preceding three calendar months.

~~This position limit is established and published by the Bourse on a monthly basis, or such other position limits as may be determined by the Bourse.~~

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157. In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

~~For position limits involving options on Canadian Bankers' Acceptance Futures are set forth in article 6651., this rule is superseded by article 6651.~~

15608 Position Limits for Bonds Futures Contracts
(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04, 17.04.09, 13.02.15)

~~The maximum net long or net short position in each designated Government of Canada Bond futures contract which a person may own or control in accordance with article 14157 shall be as follows:~~

For all expiration months combined

~~a) For position limit for all expiration delivery months combined for each designated Government of Canada bond futures contract, the maximum net Long Position or net Short Position which a person may own or control in accordance with article 14157 is~~ shall be the greater of:

~~The greater of i) 4,000 contracts; or of~~

ii) 20% of the average daily open interest for all contract months during the preceding ~~three~~ calendar three calendar months.

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of i) and ii) unless an exemption is granted under article 14157.~~

For the first contract month

b) For the first contract month, the maximum net Long Position or net Short Position in each designated Government of Canada bond futures contract which a person may own or control in accordance with article 14157 shall be the lesser of: First contract month position limit:

- i) 20% of the open interest of that contract month at the start of trading on the first business day prior to the first delivery notice day of the first contract month; or
- ii) the futures contract equivalent of 5% of the total outstanding amount of Government of Canada ~~B~~bonds eligible for delivery for the designated Government of Canada ~~b~~Bond futures contracts at the start of trading on the first business day prior to the first delivery notice day of the first contract month.

The position limit for the first contract month becomes effective on the first business day prior to the first delivery notice day of the first contract month.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the amount set forth in i) or ii), unless:

an exemption is granted under article 14157 or,

the approved participant is a market maker as defined in article 6820. In this case, this position limit may not exceed the amount set forth in ii) or,

the approved participant commits to taking the futures contracts to delivery. In this case, this position limit may not exceed the amount set forth in ii).

an exemption is granted under article 14157 or the approved participant is a market maker as defined in article 6820. In the case of a market maker, this position limit may not exceed the amount set forth in ii). -.

~~The first contract month position limit shall and will become effective on the first business day prior to the First Delivery Notice day shall be 20% of the open interest of that contract month.~~

~~In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

15908 Position Limits for Repo Rate Futures Contracts

(14.06.02, 15.05.09, 13.02.15)

~~The maximum number of net Long Position or net Short Positions in all contract months combined in 30-day overnight repo rate futures contracts which a person may own or control in accordance with article 14157 is: shall be as follows:~~

a) for speculators 5,000 contracts

b) for hedgers the greater of:

~~i) 7,000 contracts; or~~

~~ii) of such a limit to be established and published on a monthly basis by the Bourse based on 20% of the average daily open interest for all 30-day overnight repo rate futures contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.~~

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157.~~

~~or such other position limits as may be determined by the Bourse.~~

~~In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

15998.7 Position Limits for Index Swap Futures Contracts

(16.02.12, 13.02.15)

~~The maximum number of net Hong Position or net short Positions in all contract months combined in overnight index swap futures contracts which a person may own or control in accordance with article 14157 is; shall be as follows:~~

a) for speculators 5,000 contracts

b) for hedgers the greater of :

~~i) 7,000 contracts; or~~

~~ii) of such a limit to be established and published on a monthly basis by the Bourse based on 20% of the average daily open interest for all overnight index swap futures contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.~~

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157.~~

~~or such other position limits as may be determined by the Bourse.~~

~~In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

Additional sections**15708 Position Limits for S&P/TSX60 Index Futures Contracts**(07.09.99, 15.05.09, 06.05.11, 13.02.15)

~~Unless provided otherwise by the Bourse, the~~ The maximum ~~number of~~ net ~~H~~ong ~~Position~~ or net ~~s~~Short ~~P~~ositions in all contract months combined in index futures contracts which a person may own or control in accordance with article 14157 of the Rules ~~is: shall be as follows:~~

30,000 standard futures ~~contracts, contracts or equivalent contracts, on the S&P/TSX 60 Index.~~

~~or equivalent contracts, on the S&P/TSX 60 Index or such other position limits as may be determined by the Exchange.~~

For purposes of this calculation, a mini futures contract on the S&P/TSX 60 Index ~~is the~~shall be deemed ~~to be~~ equivalent ~~to~~of one-quarter of a standard futures contract on the S&P/TSX 60 Index.

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 30,000 standard futures contracts or equivalent contracts, on the S&P/TSX 60 Index unless an exemption is granted under article 14157.~~

~~If deemed necessary, the Bourse may apply different position limits to certain approved participants or clients. In establishing position limits, the Exchange may apply specific limits to one or more rather than all members or clients, if deemed necessary.~~

~~Approved participants~~Members may benefit from the exemption for a bona fide hedge in accordance with article 14157 of the Rules.

15758 Position Limits for S&P/TSE Sectorial Indices Futures Contracts(31.01.01, 29.04.02, 15.05.09, 13.02.15)

~~T~~Unless provided otherwise by the Bourse, ~~t~~The maximum ~~number of~~ net ~~H~~ong ~~Position~~ or net ~~s~~Short ~~P~~ositions in all contract months combined in S&P/TSE sectorial stock indices futures contracts which a person may own or control in accordance with article 14157 of the Rules ~~is: are the following:~~

20,000 contracts.

~~or such other position limits as may be determined by the Bourse.~~

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under article 14157.~~

~~If deemed necessary, the Bourse may apply different position limits to certain approved participants or clients. In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

~~Approved participants may benefit from the exemption for a bona fide hedge in accordance with article 14157 of the Rules.~~

15977 Position Limits- for S&P/TSX Index Futures Contracts

(15.05.09, 13.02.15)

~~Unless provided otherwise by the Bourse, The~~ The maximum ~~number of~~ net Hong Position or net short Positions in all contract months combined in mini futures contracts on the S&P/TSX Composite Index which a person may own or control in accordance with article 14157 of the Rules ~~is; shall be as follows:~~

72,000 contracts.

~~or such other position limits as may be determined by the Bourse.~~

~~If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 72,000 contracts unless an exemption is granted under article 14157.~~

~~If deemed necessary, the Bourse may apply different position limits to certain approved participants or clients. In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.~~

~~Approved participants may benefit from the exemption for a bona fide hedger in accordance with article 14157 of the Rules.~~

15999.10 Position Limits- for FTSE Emerging Markets Index Futures Contracts

(09.06.14, 13.02.15)

The maximum ~~number of~~ net Hong Position or net short positions in all contract months combined in futures contracts on the FTSE Emerging Markets Index which a person may own or control in accordance with article 14157 of the Rules ~~shall be as follows; is:~~

50,000 contracts.

Approved participants may benefit from the exemption for a bona fide hedger in accordance with article 14157 of the Rules.

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

15508 Position Limits for Banker's Acceptance Futures Contracts

(22.04.88, 08.09.89, 30.12.93, 07.04.94, 20.06.03, 15.05.09, 13.02.15)

The maximum net Long Position or net Short Position in all contract months combined in Canadian bankers' acceptance futures contracts which a person may own or control in accordance with article 14157 is the greater of:

- a) 4,000 contracts; or
- b) 20% of the average daily open interest for all Canadian bankers' acceptance futures contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157.

Position limits for options on Canadian bankers' acceptance futures are set forth in article 6651.

15608 Position Limits for Bonds Futures Contracts

(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04, 17.04.09, 13.02.15)

For all expiration months combined

a) For all expiration months combined for each designated Government of Canada bond futures contract, the maximum net Long Position or net Short Position which a person may own or control in accordance with article 14157 is the greater of:

- i) 4,000 contracts; or
- ii) 20% of the average daily open interest for all contract months during the preceding three calendar months.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of i) and ii) unless an exemption is granted under article 14157.

For the first contract month

b) For the first contract month, the maximum net Long Position or net Short Position in each designated Government of Canada bond futures contract which a person may own or control in accordance with article 14157 is the lesser of:

- i) 20% of the open interest of that contract month at the start of trading on the first business day prior to the first delivery notice day of the first contract month; or
- ii) the futures contract equivalent of 5% of the total outstanding amount of Government of Canada bonds eligible for delivery for the designated Government of Canada bond futures contracts at the start of trading on the first business day prior to the first delivery notice day of the first contract month.

The position limit for the first contract month becomes effective on the first business day prior to the first delivery notice day of the first contract month.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the amount set forth in i) or ii), unless:

an exemption is granted under article 14157 or,

the approved participant is a market maker as defined in article 6820. In this case, this position limit may not exceed the amount set forth in ii) or,

the approved participant commits to taking the futures contracts to delivery. In this case, this position limit may not exceed the amount set forth in ii).

15908 Position Limits for Repo Rate Futures Contracts

(14.06.02, 15.05.09, 13.02.15)

The maximum net Long Position or net Short Position in all contract months combined in 30-day overnight repo rate futures contracts which a person may own or control in accordance with article 14157 is:

- a) for speculators 5,000 contracts
- b) for hedgers the greater of:
 - i) 7,000 contracts; or
 - ii) 20% of the average daily open interest for all 30-day overnight repo rate futures contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157.

15998.7 Position Limits for Index Swap Futures Contracts

(16.02.12, 13.02.15)

The maximum number of net Long Position or net Short Position in all contract months combined in overnight index swap futures contracts which a person may own or control in accordance with article 14157 is:

- a) for speculators 5,000 contracts
- b) for hedgers the greater of :
 - i) 7,000 contracts; or
 - ii) 20% of the average daily open interest for all overnight index swap futures contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the greater of a) and b) unless an exemption is granted under article 14157.

Additional sections

15708 Position Limits for S&P/TSX60 Index Futures Contracts

(07.09.99, 15.05.09, 06.05.11, 13.02.15)

The maximum net Long Position or net Short Position in all contract months combined in index futures contracts which a person may own or control in accordance with article 14157 of the Rules is:

30,000 standard futures contracts or equivalent contracts, on the S&P/TSX 60 Index.

For purposes of this calculation, a mini futures contract on the S&P/TSX 60 Index is the equivalent of one-quarter of a standard futures contract on the S&P/TSX 60 Index.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 30,000 standard futures contracts or equivalent contracts, on the S&P/TSX 60 Index unless an exemption is granted under article 14157.

15758 Position Limits for S&P/TSE Sectorial Indices Futures Contracts

(31.01.01, 29.04.02, 15.05.09, 13.02.15)

The maximum net Long Position or net Short Position in all contract months combined in S&P/TSE sectorial stock indices futures contracts which a person may own or control in accordance with article 14157 of the Rules is:

20,000 contracts.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under article 14157.

15977 Position Limits for S&P/TSX Index Futures Contracts

(15.05.09, 13.02.15)

The maximum net Long Position or net Short Position in all contract months combined in mini futures contracts on the S&P/TSX Composite Index which a person may own or control in accordance with article 14157 of the Rules is:

72,000 contracts.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed 72,000 contracts unless an exemption is granted under article 14157.

15999.10 Position Limits for FTSE Emerging Markets Index Futures Contracts

(09.06.14, 13.02.15)

The maximum net Long Position or net Short position in all contract months combined in futures contracts on the FTSE Emerging Markets Index which a person may own or control in accordance with article 14157 of the Rules is:

50,000 contracts.

Approved participants may benefit from the exemption for a bona fide hedger in accordance with article 14157 of the Rules.

METHODOLOGY PROPOSED TO ESTABLISH POSITION LIMITS

AMENDMENTS TO ARTICLES 15508, 15608, 15708, 15758, 15908, 15977, 15998.7 AND 15999.10

**Summary of comments received following the publication of circular 135-14
(Appendix 1 of this document) and responses from the Bourse**

Comments Author	Comments	Response from the Bourse
<p>The Investment Industry Association of Canada (IIAC)</p>	<p>IIAC is very supportive of the Bourse efforts to better align its position limits calculation methodology with other major derivatives markets. We strongly support the proposal to set a static position limit for the first contract month. It will help eliminate operational inefficiencies resulting from daily limits that have constrained market activity without any benefit in terms of market efficiency and integrity.</p>	<p>The Bourse thanks the IIAC for their time and careful consideration of this matter.</p>
<p>Toronto Dominion Securities Inc.(TDSI)</p>	<p>TDS is very supportive of the M-X proposal to establish a more fixed daily limit for the front month CGB.</p> <p>TDS would like to highlight that for the change to be effective, the OI, a key function in establishing the daily limit should be reviewed for data quality...from our observations, we consistently find that the volatility in the OI cannot be explained by the daily traded volume. Since the new method...the daily OI must not only be reliable but should also be explainable using the daily traded volume.</p>	<p>The Bourse thanks TDSI for their time and careful consideration of this matter.</p> <p>It should be noted that that Open Interest (OI) numbers are much more dependent on position reconciliations at the Canadian Derivatives Clearing Corporation (CDCC) than they are on daily traded volume. This is why volatility in open interest cannot be solely explained by daily traded volume. To avoid any potential uncertainty regarding open interest and position limits, the position limit for the first contract month of Government of Canada Bond futures contracts will be published on the Division's website on the first business day prior to the First Delivery Notice Day.</p>