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<input checked="" type="checkbox"/> Back-office – Futures	<input checked="" type="checkbox"/> Regulation

CIRCULAR 041-18
March 28, 2018

SELF-CERTIFICATION

INTRODUCTION OF DAILY PRICE LIMITS ON FUTURES

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved the introduction of article 6820.1 and amendments to various ancillary articles within Rules Six and Fifteen of the Rules of the Bourse, in order to introduce daily price limits on futures contracts.

These amendments, as attached, were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

The revised version of the rules, as attached, will become effective on **April 6, 2018**, after market close. Please note that the revised version of the rules will also be available on the Bourse’s website (https://www.m-x.ca/accueil_en.php).

The rule changes described in the present circular were published for public comment by the Bourse on November 14, 2017 (see [Circular 163-17](#)).

Please note that article 6388 was abrogated on January 17, 2018 and is reinstated as initially modified under circular 163-17.

For additional information, please contact Alexandre Normandeau, Legal Counsel, by telephone at (514) 787-6623 or by email at alexandre.normandeau@tmx.com.

Alexandre Normandeau
Legal Counsel

RULE SIX

TRADING

[...]

Section 6365- 6401

Electronic Trading of Derivatives Instruments Traded on the Bourse

[...]

6388 Daily Price Limits

(25.09.00, 24.09.01, 29.10.01, abr. 17.01.18)

6388 Maximum Price Variation Thresholds

(00.00.00)

Unless otherwise specified in the Rules, the Bourse establishes for each derivative instrument maximum price variation thresholds, based on a percentage, with respect to the previous day's settlement price and there shall be no trading above or below these thresholds.

[...]

OPTIONS ON TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

6706 ~~Daily Price Limit~~ Maximum Price Variation Thresholds

(20.03.91, 07.04.94, 18.01.16, 00.00.00)

~~There is no daily price limit for~~ Options on Ten-year Government of Canada Bond futures are not subject to maximum price variation thresholds.

[...]

REGULAR OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6756 Maximum Price Variation Thresholds ~~Daily Price Limit~~

(07.04.94, 18.01.16, 00.00.00)

Regular Options on Three-month Canadian Bankers' Acceptance futures are not subject to ~~a~~ maximum price variation thresholds ~~daily price limit.~~

[...]

SERIAL MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6763.8 Maximum Price Variation Thresholds~~Daily Price Limit~~
(18.01.16, 00.00.00)

Serial Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not subject to ~~a~~
~~maximum price variation thresholds~~~~daily price limit~~.

[...]

ONE-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6764.8 Maximum Price Variation Thresholds~~Daily Price Limit~~
(18.01.16, 00.00.00)

One-year Quarterly Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not
subject to ~~a~~~~daily price limit~~maximum price variation thresholds.

[...]

TWO-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6765.8 Maximum Price Variation Thresholds~~Daily Price Limit~~
(18.01.16, 00.00.00)

Two-year Quarterly Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not
subject to ~~a~~~~maximum price variation thresholds~~~~daily price limit~~.

[...]

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 ~~–~~ 6820.1 Terms of Trade Futures

6808 ~~Price Limits~~Maximum Price Variation Thresholds / Trading halts
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 24.07.06,
30.05.08, 17.04.09, 15.05.09, 18.06.10, 16.02.12, 09.06.14, 28.07.14, 18.01.16, 00.00.00)

The ~~price limits~~maximum price variation thresholds/trading halts for each futures contract are set forth in
Rule 15 in the section specific to a futures contract.

[...]

6820.1 Daily Price Limits on Futures
(00.00.00)

For the purpose of this article:

- a) “control price” means a price calculated for each futures based on the previous day settlement price.
- b) “X limits” means price limits based on a percentage of the control price under and above which an order is not allowed to register in the central limit order book.
- c) “Y limits” means price limits based on a percentage of the control price under and above which an incoming order would not be executed and would be eliminated, or under and above which a theoretical opening price would put the derivative instrument into a reserved state.
- d) “reserved state” means a trading halt triggered by a theoretical opening price under or above the Y limits at the opening of a given instrument.

The Bourse may subject futures to the X limits and Y limits as follows:

- a) X limits: any order entered by a participant in breach of the X limits is automatically rejected by the trading system and a message is automatically sent to the participant to confirm such order rejection.
- b) Y limits
 - i) At the opening of an instrument, a theoretical opening price under or above the calculated Y limits causes the derivative instrument to enter into a reserved state.
 - ii) Participants can enter new orders and modify or cancel their orders on an instrument which is in reserved state.
 - iii) When an instrument is in reserved state, the trading system will attempt to automatically re-open the trading of such instrument through a volatility auction. Should the resulting reopening price be within the Y limits, trading on the instrument will resume. Should the resulting reopening price be outside the Y limits, the instrument will be maintained in a reserved state and another volatility auction will take place. Such process will automatically take place until trading on the instrument resumes. The Bourse can extend the trading halt created by the reserved state to ensure orderly trading.
 - iv) The Bourse will notify the market through its market data feed when an instrument enters into a reserved state and when trading is resumed for such instrument.
 - v) During the continuous trading phase, passive orders priced outside the Y limits but within the X limits will be allowed in the trading system. Should the potential execution price of an incoming order be outside the Y limits, such incoming order will be eliminated, preventing the trade, and a message will be automatically sent to the participant to confirm such order elimination.
 - vi) A limit order priced outside the Y limits that could otherwise be partially executed will be partially executed up until a lot is priced outside of the Y limits, and the remaining quantity of the order will be priced at the Y limit.

Control prices and percentages of the X limits and Y limits can be modified and Y limits can be temporarily lifted at the Bourse’s discretion to ensure regular trading.

The X limits are disseminated to the market via the Bourse’s market data feed daily prior to the opening of the market.

The X limits do not apply to bulk quotes entered by approved participants or clients of approved participants while acting as duly appointed market makers pursuant to article 6395.

RULE SIX

TRADING

[...]

Section 6365- 6401

Electronic Trading of Derivatives Instruments Traded on the Bourse

[...]

6388 Daily Price Limits

(25.09.00, 24.09.01, 29.10.01, abr. 17.01.18)

6388 Maximum Price Variation Thresholds

(00.00.00)

Unless otherwise specified in the Rules, the Bourse establishes for each derivative instrument maximum price variation thresholds, based on a percentage, with respect to the previous day's settlement price and there shall be no trading above or below these thresholds.

[...]

OPTIONS ON TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

6706 Maximum Price Variation Thresholds

(20.03.91, 07.04.94, 18.01.16, 00.00.00)

Options on Ten-year Government of Canada Bond futures are not subject to maximum price variation thresholds.

[...]

REGULAR OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6756 Maximum Price Variation Thresholds

(07.04.94, 18.01.16, 00.00.00)

Regular Options on Three-month Canadian Bankers' Acceptance futures are not subject to maximum price variation thresholds.

[...]

**SERIAL MID-CURVE OPTIONS ON THREE-MONTH
CANADIAN BANKERS' ACCEPTANCE FUTURES**

[...]

6763.8 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

Serial Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not subject to maximum price variation thresholds.

[...]

ONE-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6764.8 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

One-year Quarterly Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not subject to maximum price variation thresholds.

[...]

TWO-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

6765.8 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

Two-year Quarterly Mid-Curve options on Three-month Canadian Bankers' Acceptance futures are not subject to maximum price variation thresholds.

[...]

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 – 6820.1
Terms of Trade Futures

6808 Maximum Price Variation Thresholds / Trading halts
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 24.07.06, 30.05.08, 17.04.09, 15.05.09, 18.06.10, 16.02.12, 09.06.14, 28.07.14, 18.01.16, 00.00.00)

The maximum price variation thresholds/trading halts for each futures contract are set forth in Rule 15 in the section specific to a futures contract.

[...]

6820.1 Daily Price Limits on Futures
(00.00.00)

For the purpose of this article:

- a) “control price” means a price calculated for each futures based on the previous day settlement price.
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 - iii) When an instrument is in reserved state, the trading system will attempt to automatically re-open the trading of such instrument through a volatility auction. Should the resulting reopening price be within the Y limits, trading on the instrument will resume. Should the resulting reopening price be outside the Y limits, the instrument will be maintained in a reserved state and another volatility auction will take place. Such process will automatically take place until trading on the instrument resumes. The Bourse can extend the trading halt created by the reserved state to ensure orderly trading.
 - iv) The Bourse will notify the market through its market data feed when an instrument enters into a reserved state and when trading is resumed for such instrument.
 - v) During the continuous trading phase, passive orders priced outside the Y limits but within the X limits will be allowed in the trading system. Should the potential execution price of an incoming order be outside the Y limits, such incoming order will be eliminated, preventing the trade, and a message will be automatically sent to the participant to confirm such order elimination.
 - vi) A limit order priced outside the Y limits that could otherwise be partially executed will be partially executed up until a lot is priced outside of the Y limits, and the remaining quantity of the order will be priced at the Y limit.

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The X limits do not apply to bulk quotes entered by approved participants or clients of approved participants while acting as duly appointed market makers pursuant to article 6395.

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

[...]

CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

15507 ~~Daily Price Limit~~ Maximum Price Variation Thresholds
(22.04.88, 00.00.00)

There shall be no ~~daily price limit~~ maximum price variation thresholds.

[...]

TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15607 Maximum Price Variation Thresholds ~~Daily Price Limit~~
(08.09.89, 17.04.09, 18.01.16, 00.00.00)

There ~~is shall be~~ no maximum price variation thresholds ~~daily price limit~~.

[...]

FIVE-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15626 Maximum Price Variation Thresholds ~~Daily Price Limit~~
(18.01.16, 00.00.00)

There shall be no maximum price variation thresholds ~~daily price limit~~.

[...]

[...]

15646 Maximum Price Variation Thresholds ~~Daily Price Limit~~
(18.01.16, 00.00.00)

There shall be no maximum price variation thresholds ~~daily price limit~~.

[...]

THIRTY-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15666 Maximum Price Variation Thresholds ~~Daily Price Limit~~
(18.01.16, 00.00.00)

There shall be no ~~maximum price variation thresholds~~~~daily price limit~~.

[...]

30-DAY OVERNIGHT REPO RATE FUTURES

[...]

15907 ~~Maximum Price Variation Thresholds~~ ~~Daily Price Limit~~
(14.06.02, 18.01.16, 00.00.00)

There ~~is~~ ~~shall be~~ no ~~maximum price variation thresholds~~~~daily price limit~~.

[...]

FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS WITH PHYSICAL SETTLEMENT

[...]

15937 ~~Maximum Price Variation Thresholds~~ ~~Daily Price Limit~~
(30.05.08, 00.00.00)

There shall be no ~~maximum price variation thresholds~~~~daily price limit~~ for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.

[...]

FUTURES CONTRACTS ON CARBON DIOXIDE (CO₂e) EQUIVALENT UNITS WITH CASH SETTLEMENT

[...]

15957 ~~Maximum Price Variation Thresholds~~ ~~Daily Price Limit~~
(30.05.08, 00.00.00)

There shall be no ~~maximum price variation thresholds~~~~daily price limit~~ for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement.

[...]

FUTURES CONTRACTS ON CANADIAN CRUDE OIL

[...]

15996.7 ~~Maximum Price Variation Thresholds~~ ~~Daily Price Limit~~
(18.06.10, 00.00.00)

There shall be no ~~maximum price variation thresholds~~~~daily price limit~~ for futures contracts on Canadian Crude Oil.

[...]

OVERNIGHT INDEX SWAP FUTURES

[...]

15998.6 ~~Maximum Price Variation Thresholds~~ ~~Daily Price Limit~~
(16.02.12, 18.01.16, 00.00.00)

There ~~is~~ shall be no ~~maximum price variation thresholds~~ ~~daily price limit~~.

[...]

FTSE EMERGING MARKETS INDEX FUTURES

[...]

15999.9 ~~Daily Price Limits~~ ~~Maximum Price Variation Thresholds~~
(09.06.14, 18.01.16, 02.03.18, 00.00.00)

There ~~is~~ shall be no ~~maximum price variation thresholds~~ ~~daily price limit~~ for FTSE Emerging Markets Index futures.

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

[...]

CANADIAN BANKERS' ACCEPTANCE FUTURES

[...]

15507 Maximum Price Variation Thresholds
(22.04.88, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15607 Maximum Price Variation Thresholds
(08.09.89, 17.04.09, 18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

FIVE-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15626 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

[...]

15646 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

THIRTY-YEAR GOVERNMENT OF CANADA BOND FUTURES

[...]

15666 Maximum Price Variation Thresholds
(18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

30-DAY OVERNIGHT REPO RATE FUTURES

[...]

15907 Maximum Price Variation Thresholds
(14.06.02, 18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS WITH PHYSICAL SETTLEMENT

[...]

15937 Maximum Price Variation Thresholds
(30.05.08, 00.00.00)

There shall be no maximum price variation thresholds for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.

[...]

FUTURES CONTRACTS ON CARBON DIOXIDE (CO₂e) EQUIVALENT UNITS WITH CASH SETTLEMENT

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(30.05.08, 00.00.00)

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FUTURES CONTRACTS ON CANADIAN CRUDE OIL

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There shall be no maximum price variation thresholds for futures contracts on Canadian Crude Oil.

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OVERNIGHT INDEX SWAP FUTURES

[...]

15998.6 Maximum Price Variation Thresholds (16.02.12, 18.01.16, 00.00.00)

There shall be no maximum price variation thresholds.

[...]

FTSE EMERGING MARKETS INDEX FUTURES

[...]

15999.9 Maximum Price Variation Thresholds (09.06.14, 18.01.16, 02.03.18, 00.00.00)

There shall be no maximum price variation thresholds for FTSE Emerging Markets Index futures.