



CIRCULAR 072-26

June 2nd, 2026

REQUEST FOR COMMENTS

**PROPOSED AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC.
TO MODIFY KEY SPECIFICATIONS OF THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURES (LGB)**

On **MAY 27, 2026**, the President and CEO of Montréal Exchange Inc. (“**MX**”) approved proposed amendments to MX’s rules to modify the specifications of the 30-Year Government of Canada (“**GoC**”) bond futures (“**LGB**”) contract, including its delivery standards, notional coupon and delivery period.

Comments on the proposed amendments must be submitted at the latest on **JULY 3, 2026**. Please submit your comments to:

Dima Ghozaïel
Legal Counsel
Bourse de Montréal Inc.
1800-1190 av des Canadiens-de-Montréal
P.O. Box 37
Montreal, Quebec H3B 0G7
E-mail: legal@tmx.com

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

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec (Québec) G1V 5C1
Fax : (514) 864-8381
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 MX may publish a summary of such comments as part of the self-certification process concerning this file. Unless specified otherwise, MX will publish comments anonymously.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by MX, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

MX is authorized to carry on business as an exchange and is recognized as a self-regulatory organization by the Autorité. MX's Regulatory Division ("MXR") is responsible for MX's regulatory functions and carries on its activities as an independent unit separate from the other activities of the Exchange. MXR's activities are performed under the oversight of the Self-Regulatory Oversight Committee appointed by the Board of Directors of the Exchange. MX's board of directors has delegated to MX's President, and to the Rules and Policies Committee of MX's board of directors, the power to approve and amend MX's rules. Responsibility for new rule proposals or amendments to rules pertaining to market integrity is vested with MXR. The proposals and amendments are thereafter submitted to the Autorité in accordance with the self-certification process set forth in the *Derivatives Act* (CQLR, chapter I-14.01).

Tour Deloitte

1800-1190 avenue des Canadiens-de-Montréal, P.O. Box 37, Montreal, Quebec H3B 0G7
Telephone: 514 871-2424

Toll free within Canada and the U.S.A.: 1 800 361-5353

Website: www.m-x.ca

MEMORANDUM

TO: LUC FORTIN, PRESIDENT AND CEO OF THE MONTRÉAL EXCHANGE

FROM: ALEXANDRE PRINCE, EXECUTIVE DIRECTOR / KARIM HABBARI, SR. ADVISOR

SUBJECT: PROPOSED AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. TO MODIFY KEY SPECIFICATIONS OF THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURES (LGB)

DATE: May 27, 2026

Recommendation

Management recommends that the President of the Bourse de Montréal Inc. (the “**Exchange**” or “**MX**”) approves proposed amendments to the rules of the Exchange (the “**Rules**”) to modify the specifications of the 30-Year Government of Canada (“**GoC**”) bond futures (“**LGB**”) contract including its delivery standards, notional coupon and delivery period.

Management believes these amendments will enhance market efficiency, increase the contract’s utility as a trading and hedging instrument, and align the product with the successful design of other GoC bond futures contracts.

The Regulatory Division analyzed the Amendments and established that the Amendments are not changes to Market Integrity Rules, as defined in the Exchange’s recognition order¹ and in the Rules.

If the Amendments are approved, management will file with the Autorité des marchés financiers (the “**AMF**”) the requisite Notice of Proposed Amendments in accordance with the regulatory self-certification process, and with the Ontario Securities Commission (the “**OSC**”) for information purposes.

Description

The Exchange proposes to update its Rules pertaining to the LGB contract to better reflect current market conditions and align with the design of its successful 2-Year (“**CGZ**”), 5-Year (“**CGF**”), and 10-Year (“**CGB**”) GoC bond futures contracts. An efficient LGB market is crucial for the growth of the Exchange’s listed yield curve offering. These modifications, informed by a comprehensive product specifications review and consultation with market participants, ensure the contract design continues to meet the needs of its market participants.

The proposed amendments are focused on:

¹ Autorité des marchés financiers Décision N 2012-PDG-0075 issued on May 2, 2012, as revised by the Autorité des marchés financiers Décision No 2023-PDG-0012 issued on April 4, 2023

1. **Delivery Period:** Transitioning from a single-day delivery period to a full one-month delivery period.
2. **Notional Coupon:** Reducing the notional coupon from 6% to 4%.
3. **Delivery Basket:** Reducing the deliverable basket to a single bond, aligned on the 30-year GoC benchmark bond.

The key modifications to the LGB contracts specifications are summarized in Table 1 below.

Table 1: Key Proposed Modifications to LGB Contract Specifications

LGB Specification	Current	Proposed
Delivery Period	Single day	Full one-month delivery period
Notional Coupon	6%	4%
Deliverable Basket	Multiple bonds with remaining maturity \geq 25 years	Single bond (the 30-year GoC benchmark bond)

Outline of the Amendments

The Exchange intends to amend Articles 12.400, 12.402, 12.405, 12.412, 12.414, and 12.416 of the Rules to implement the aforementioned changes.

Amendments to Part 12 — *Government of Canada Bond Futures* of the Rules:

Article 12.400 and Article 12.402 - Underlying Interest and Trading Unit:: Modifications to update the notional coupon from 6% to 4% to align the contract with current interest rate environments.

Article 12.412 - Delivery Standards: Modifications to refine the eligibility of deliverable bonds, specifically:

- Defining that only 30-year Government of Canada benchmark bond shall be deliverable for each contract expiry, as determined by the Exchange based on Canadian bond market standards.
- Providing indicative guidelines as to the characteristics of such GoC benchmark bond eligible for delivery, by
 - Updating the remaining maturity requirements (to between 29 and 32 years);
 - Adjusting the minimum outstanding amount to \$12 billion nominal value;
- Updating the coupon and premium/discount calculation basis to a 4% notional yield.

Article 12.414 - Submission of Delivery Notice: Modifications to expand the submission window, allowing an Approved Participant to submit a delivery notice on any business day within the full delivery month.

Article 12.416 - Delivery Day: Modifications to the final settlement timeline, stipulating that delivery must be completed no later than the last business day of the Delivery Month.

The proposed amendments are provided herein in Appendix “A” and the updated specifications of the modified LGB contract are detailed in the Appendix “C”.

Background

The Exchange relaunched the LGB contract with a new program in November 2021. Following the first roll period, liquidity started to decline and consultation with key participants led to a revision of the contract specification to limit the impact (and value) of the “wildcard option”, deemed detrimental to the development of the contract. The “wildcard option” arises during the delivery period because of a timing mismatch between the settlement calculation for the futures contract at 3pm and the 5:30pm time at which a short position must decide whether he/she will give notice to deliver at the settlement price for the contract.²

Following participants’ feedback and to address the concern, the Exchange implemented a change to the delivery period of the LGB contract ([Circular 124-22](#)), making delivery possible only following the last trading day of the contract (vs during a full month). Despite this change, limited trading activity persisted, resulting in prolonged periods of reduced market participation and fading interest. Market feedback consistently indicates that the product remains viable and that an active long-bond contract would significantly benefit the Canadian bond market. Consequently, the Exchange is renewing its efforts to enhance the product through updated specifications derived from a comprehensive market survey and direct engagement with key stakeholders.

Rationale for the Amendments and Approach

The primary objective of these proposed amendments is to modernize the LGB contract to increase its utility and effectiveness for hedgers and speculators in the long-term Canadian bond futures market.

More specifically, the Exchange believes that the proposed modifications will improve the optics of the LGB contract compared to the underlying cash market in terms of price, bid-ask spread and risks metrics. They will increase the effectiveness of the LGB contract for hedgers and speculators while building initial liquidity by reducing pricing uncertainty and increasing hedging flexibility. Furthermore, these changes will ensure the 30-year benchmark bond is the CTD bond for the duration of its benchmark period, making futures pricing more straightforward and clear for users and reduce transaction costs for market participants by introducing a finer price granularity.

An efficient interaction between benchmark bonds and their associated GoC bond futures contracts is desirable to help market participants in their portfolio and balance sheet management activities. The current LGB contract design, with its single-day delivery and 6% notional coupon, is considered outdated and less efficient for basis trading (or “cash and carry trade”), which is predominantly quoted against the cheapest-to-deliver (“CTD”) bond.

² For a full description of a successful Wildcard option exercise, please refer to [CGB Case Study: Wildcard Option Exercise](#)

The proposed changes are a holistic effort to improve the LGB contract's alignment with contemporary market structure and participant needs.

Comparative analysis

The move to a full one-month delivery period aligns the LGB contract with the delivery standard used for MX's successful mid- and short-term GoC futures contracts (CGB, CGF, CGZ), promoting a unified and familiar trading environment.

The proposed reduction of the delivery basket to a single benchmark bond, while differentiating it from the basket approach used by global ultra-long futures products such as the CME's Ultra U.S. T-Bond or Eurex's Euro-Buxl® Futures, is specifically designed to function essentially as a bond forward contract. This single-bond structure eliminates switch risk, making the contract pricing more transparent and comparable to the underlying cash market, which is desired by key domestic participants.

The new 4% notional coupon will result in a higher conversion factor and introduce a small "wildcard option". This feature will increase the duration sensitivity and provide a degree of optionality to the contract, which is desirable for many sophisticated market participants.

Similar modifications have been successfully implemented on other contracts; for instance, the Exchange previously adjusted the CGF delivery standards to improve the contract's attractiveness. Global 30-year bond futures are critical benchmarks for the "ultra" long end of the yield curve. While they share a common goal—hedging or speculating on long-term interest rates—their contract designs vary significantly across exchanges to match the specific characteristics of their underlying national debt markets.

The following table compares the flagship 30-year (or equivalent "Ultra" and "Buxl") bond futures as of 2026.

Feature	CME Group (CBOT)	Eurex	ICE Futures Europe	TMX (Montréal)
Contract Name	Ultra U.S. T-Bond	Euro-Buxl® Futures	Ultra Long Gilt Futures	30-Year Gov of Canada
Notional Coupon	6%	6%	4%	4%
Contract Size	\$100,000	€100,000	£100,000	C\$100,000
Delivery Period	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
Deliverable Basket	Bonds with at least 25 years remaining to maturity.	Bonds with remaining term of 24–35 years.	Bonds with remaining term of 28–37 years.	30Y GoC benchmark bond (generally a remaining term of 29-32 years)

Analysis of Impacts

(i) Impacts on Market

- **Delivery Period (Full One-Month):** The shift from single-day to a full one-month delivery period aligns the LGB contract with the standard for MX's successful short- and mid-term GoC futures (CGZ, CGF, CGB). This structural standardization allows market participants more time to manage physical delivery obligations, thereby reducing the risk of a market squeeze that can occur with single-day delivery. Survey results indicate that 70% of respondents favored this realignment, viewing it as a key factor for liquidity improvement.
- **Single-Bond Delivery Basket (30-Year GoC Benchmark):** Focusing the deliverable basket on a single benchmark bond is the most significant change, effectively positioning the contract as a bond forward equivalent. This structure eliminates the uncertainty related to the Cheapest-to-Deliver (CTD) bond and removes "switch risk" (the quality option), which had historically deterred buy-side participants. The elimination of this optionality significantly improves price transparency and ensures a better alignment between the LGB and the underlying cash market, which is highly desired by key domestic hedgers and end-users. The single-bond delivery is designed to maximize the time the benchmark bond is the cheapest-to-deliver. For each contract, the Exchange will determine the single eligible bond based on guidelines such as a remaining maturity between 29 and 32 years and an outstanding amount of at least \$12 billion.
- **Notional Coupon (4% Notional Coupon) and Wildcard Option:** The combination of the single-bond basket and the 4% notional coupon increases the conversion factor and minimizes the impact of the wildcard option, a feature previously deemed detrimental to the contract. By minimizing the wildcard option (which approaches zero when the Conversion Factor is near 1), the Exchange is balancing the interests of end-users who prefer a bond forward with those who appreciate a minimal degree of optionality.

(ii) Impacts on technology

The proposed rule amendments are expected to have minimal impact on the technological systems of the Exchange, its approved participants, and other market participants. Proper configuration and communication with technology providers will be undertaken to ensure a smooth launch.

(iii) Impacts on regulatory functions

The proposed amendment is expected to have limited impact on the regulatory functions of the Regulatory Division. Procedures will need to be updated and the surveillance system configured in order to recognize the new contract specifications.

(iv) Impacts on clearing functions

CDCC's Rules will be aligned with the changes proposed by the Exchange. The proposed changes have minor impacts on the CDCC Rules and Manuals and will be updated to modify the delivery period of LGB and the deadlines to submit tender notices. Proper configuration and testing will be conducted with relevant IT and back-office systems.

(v) Public Interest

The Exchange considers these amendments to be in the public interest. A contract that is better tailored to participants' needs, particularly domestic users who desire simplified hedging will be more liquid and will attract more activity to the transparent and centrally-cleared futures market. The new specifications are in line with market expectations, will encourage more transactions on the electronic market, and will provide a healthier balance of interests for participants by reducing risk and uncertainty.

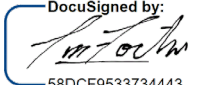
Timing

Following receipt of regulatory approval, the Exchange intends to implement the Amendments in Q3 2026.

Requested Action

For your consideration, attached as Appendix A are the proposed changes to the Rules of the Exchange. If they are acceptable, please indicate your approval by signing below.

Approved by:

By: 
58DCE9533734443

Luc Fortin
President & CEO, Montréal Exchange

APPENDIX A: THE AMENDMENTS

BLACKLINE VERSION

[...]

PART 12 - PRODUCT SPECIFICATIONS FOR FUTURES

Chapter E — Thirty-Year Government of Canada Bond Futures

Article 12.400 Underlying Interest

The Underlying Interest is \$100,000 nominal value of a Government of Canada Bond with a ~~6-4%~~ notional coupon.

[...]

Article 12.402 Trading Unit

Unless otherwise determined by the Bourse, the trading unit is \$100,000 nominal value of a Government of Canada Bond with a ~~6-4%~~ notional coupon.

[...]

Article 12.412 Delivery standards

(a) For Thirty-year Government of Canada Bond Futures, shall be deliverable only those Government of Canada Nominal Bond issues which ~~represent thirty-year Government of Canada benchmark bond for each contract Delivery Month, as determined by the Bourse based on Canadian bond market standards before each roll period. Delivery eligibility is restricted to the thirty-year Government of Canada Nominal Bond benchmark issues, as determined solely by the Bourse based on market standards, with the following indicative guidelines:~~

(i) have a remaining maturity of ~~between 29 years and 32 years not less than 28 1/2 years, as of the first day of the Delivery Month; (for the purpose of determining the maturity of a Bond eligible for Delivery and for settlement, the time to maturity of a given issue shall be calculated in complete periods of three months, by rounding down to the nearest entire three-month period, e.g. 30 years and seven months shall be considered 30 1/2 years from the first day of the Delivery Month);~~

(ii) have an outstanding amount of at least ~~\$12~~ ~~\$3.5~~ billion nominal value ~~have an outstanding amount of \$3.5 billion nominal value~~ (net of all potential purchases by the Government of Canada up until the end of the period during which the Bond issue is deliverable);

(iii) are originally issued at 30-year auctions ~~(a Nominal Bond not issued at a 30-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the Delivery~~

~~Month, its re-openings total a minimum nominal amount of \$3.5 billion);~~

(iv) are issued and delivered on or before the 15th day preceding the Delivery Month of the contract;

(v) have a face value at maturity in multiples of \$100,000; and

(vi) have a coupon of ~~6-4%~~. However, at the seller's choice, a Government of Canada Nominal Bond having a coupon other than ~~6-4%~~ can be substituted. The amount of Premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Nominal Bond bearing a ~~6-4%~~ coupon and selling at par.

[...]

(f) Before a contract is listed for trading, the Bourse shall have the right to **determine exclude which any deliverable** Government of Canada Bond issue **is eligible for delivery**, even if it **does not** meets all the standards specified in this Rule.

Article 12.414 Submission of Delivery Notice

To initiate the Delivery process, an Approved Participant holding a Short Position must submit a Delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation on ~~the Last Trading Day any business day, between the first business day preceding the first business day of the Delivery Month, and the first business day preceding the last business day of the Delivery Month~~-, inclusively.

Article 12.416 Delivery Day

Delivery of Thirty-year Government of Canada Bond Futures shall be done on the first business day following the submission of the Delivery notice by the Approved Participant holding a Short Position, or on any other day as determined by the Clearing Corporation. Delivery shall be completed no later than ~~one business day following the Last Trading Day~~ the last business day of the Delivery Month.

APPENDIX A: THE AMENDMENTS

CLEAN VERSION

[...]

PART 12 - PRODUCT SPECIFICATIONS FOR FUTURES

Chapter E — Thirty-Year Government of Canada Bond Futures

Article 12.400 Underlying Interest

The Underlying Interest is \$100,000 nominal value of a Government of Canada Bond with a 4% notional coupon.

[...]

Article 12.402 Trading Unit

Unless otherwise determined by the Bourse, the trading unit is \$100,000 nominal value of a Government of Canada Bond with a 4% notional coupon.

[...]

Article 12.412 Delivery standards

(a) For Thirty-year Government of Canada Bond Futures, shall be deliverable only those Government of Canada Nominal Bond issues which represent thirty-year Government of Canada benchmark bond for each contract Delivery Month, as determined by the Bourse based on Canadian bond market standards before each roll period. Delivery eligibility is restricted to the thirty-year Government of Canada Nominal Bond benchmark issues, as determined solely by the Bourse based on market standards, with the following indicative guidelines:

- (i) have a remaining maturity of between 29 years and 32 years, as of the first day of the Delivery Month;
- (ii) have an outstanding amount of at least \$12 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the Bond issue is deliverable);
- (iii) are originally issued at 30-year auctions;
- (iv) are issued and delivered on or before the 15th day preceding the Delivery Month of the contract;
- (v) have a face value at maturity in multiples of \$100,000; and
- (vi) have a coupon of 4%. However, at the seller's choice, a Government of Canada Nominal Bond having a coupon other than 4% can be substituted. The amount of

Premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Nominal Bond bearing a 4% coupon and selling at par.

[...]

(f) Before a contract is listed for trading, the Bourse shall have the right to determine which Government of Canada Bond issue is eligible for delivery, even if it does not meet all the standards specified in this Rule.

Article 12.414 Submission of Delivery Notice

To initiate the Delivery process, an Approved Participant holding a Short Position must submit a Delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation on any business day, between the first business day preceding the first business day of the Delivery Month, and the first business day preceding the last business day of the Delivery Month, inclusively.

Article 12.416 Delivery Day

Delivery of Thirty-year Government of Canada Bond Futures shall be done on the first business day following the submission of the Delivery notice by the Approved Participant holding a Short Position, or on any other day as determined by the Clearing Corporation. Delivery shall be completed no later than the last business day of the Delivery Month.