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**CIRCULAR 103-14**

July 28, 2014

**SELF-CERTIFICATION**

**MARKET-WIDE TRADING HALT UPON THE TRIGGERING  
OF A CIRCUIT BREAKER**

**ADDITION OF ARTICLE 6636.1**

**REPEAL OF POLICY T-3 (CIRCUIT BREAKER)**

**REPEAL OF ARTICLES 6202 AND 6204**

**AMENDMENTS TO ARTICLES 6201, 6203, 6776, 6785 AND 6808**

**TECHNICAL AMENDMENTS TO SECTION 6780-6800  
(OPTIONS ON S&P/TSE SECTORIAL INDICES)**

The Rules and Policies Committee and the Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) have approved the abrogation of Policy T-3 as well as amendments to Rule Six of the Bourse, which deal with provisions of the Bourse’s regulations that apply upon the triggering of a market-wide circuit breaker on the underlying interest. This abrogation and these amendments have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01) and are effective immediately.

The purpose of this abrogation and these amendments is to update those provisions of the Bourse’s regulations that apply upon the triggering of a market-wide circuit breaker on the underlying interest.

The regulatory modifications discussed in this circular were subjected to a request for comments published by the Bourse on January 20, 2014 (circular 007-14). The Bourse did not receive any comments following the publication of this circular.

For further information, please contact Mr. Francis Larin, Director and Legal Counsel, Regulatory Division, at 514 871-3516 or at [flarin@m-x.ca](mailto:flarin@m-x.ca).

Brian Z. Gelfand  
Vice-President and Chief Regulatory Officer

## POLICY T-3

## CIRCUIT BREAKER

(28.03.91, 02.08.96, 03.02.97, 15.04.98,  
07.09.99, 11.02.00, 31.01.01, 17.01.02, [abr. 28.07.14](#))

~~— In conjunction with The Toronto Stock Exchange, which will act in coordination with the New York Stock Exchange ("NYSE") and following a significant decline in the Dow Jones Industrials Average («DJIA»), Bourse de Montréal Inc. will halt trading in all securities in the following circumstances:~~

~~a) 10% decline in the DJIA~~

- ~~• Before 2:00 p.m., will result in an hour long halt;~~
- ~~• Between 2:00 p.m. and 2:30 p.m., will result in a 30 minute halt;~~
- ~~• After 2:30 p.m., will not result in a halt. The market will remain open.~~

~~b) 20% decline in the DJIA~~

- ~~• Before 1:00 p.m., will result in a two hour long halt;~~
- ~~• Between 1:00 p.m. and 2:00 p.m., will result in an hour long halt;~~
- ~~• After 2:00 p.m., will result in a halt for the balance of the day.~~

~~c) 30% decline in the DJIA~~

- ~~• The halt will be maintained for the balance of the day.~~

~~d) When required the reinstatement of trading shall be coordinated with The Toronto Stock Exchange, which will itself act in coordination with the NYSE.~~

~~e) The thresholds applied for the trading halts are to be adjusted on a quarterly basis according to an average daily closing calculation of the DJIA for the previous month. This information will be communicated to the approved participants of the Bourse by circular on a quarterly basis.~~

~~f) Derivatives Instruments~~

~~(07.09.99, 11.02.00, 31.01.01, 17.01.02)~~

~~— This Policy will not apply to listed derivatives instruments with the exception of Canadian and American equity based derivatives instruments.~~

**POLICY T-3**

**CIRCUIT BREAKER**

(28.03.91, 02.08.96, 03.02.97, 15.04.98,  
07.09.99, 11.02.00, 31.01.01, 17.01.02, abr. 28.07.14)

**Section 6201 - 6210**  
**Trading Sessions of The Exchange**

**6201 Daily Trading Sessions**

(03.07.87, 10.10.91, 05.12.97, 02.10.98, 22.11.99, [28.07.14](#))

a) Except as may be otherwise determined by the ~~Governing Committee~~Bourse, ~~meetings of the members, known as "Trading Sessions"~~ shall be held on the ~~Exchange~~Bourse every day except Saturdays, Sundays and holidays.

b) If certain urgent events require it, market opening and closing times are established, ~~in the following order~~, by: the Bourse.

~~1° the Governing Committee;~~

~~2° the Executive Committee;~~

~~3° the Chairman or the Vice Chairman of the Governing Committee together with the President of the Exchange, or in his absence the Acting President.~~

These times may be different for each category of listed products. An advance notice must be given to ~~members~~approved participants of any changes.

**6202 Proceeding at Trading Sessions**

(10.10.91, ~~abr.~~ [28.07.14](#))

~~Trading sessions of the Exchange shall be open for business on the sounding of the opening signal and shall remain open until the sounding of the closing signal. No transactions may be effected before the opening signal or after the closing signal.~~

**6203 Suspension of Trading Sessions**

(10.10.91, [28.07.14](#))

~~a) When urgent circumstances warrant it, the Chairman, or the Vice Chairman, or the President, or in the absence of all of them, the acting President, Bourse may suspend trading for one trading session or any part of a trading session and shall, if so directed by a resolution of the Governing Committee close the Exchange for such number of consecutive trading sessions not exceeding twenty one (21) as may be specified in such resolutions.~~

~~b) For the purpose of the application of Policy T-3 on "circuit breakers", the Director of Market Surveillance or the Vice President, Floor Operations, may suspend trading, in conformity with the provisions of Policy T-3.~~

**6204 Delayed, Halted and Suspended Trading**(10.10.91, 22.11.99, [abr. 28.07.14](#))

- a) ~~When, in the opinion of the Exchange, important information concerning a listed security has not been made public, an important announcement is pending or in any situation which would render the market unfair to shareholders and investors, the Exchange may delay, halt or suspend trading in any Exchange listed security.~~
- b) ~~Where a halt or delay in trading is rescinded during a trading session, notice of the rescission of the halt or delay and the time set for resumption of trading shall be displayed on CDNX.~~

**Section 6621 - 6650****Trading - Options****6636.1 Triggering of a Circuit-Breaker on the Underlying Interest**[\(28.07.14\)](#)

Trading halts on equity, exchange-traded funds or income trust units options shall be coordinated with the trading halt mechanism of the underlying interest.

**OPTIONS ON THE S&P/TSX 60 STOCK INDEX****Section 6771 - 6779****Specific Rules Concerning the Contract Specifications**(07.09.99, 18.12.12, [28.07.14](#))**6776 ~~Daily Price Limit~~ Triggering of a Circuit-Breaker on the Underlying Interest**(07.09.99, 29.04.02, 18.12.12, [28.07.14](#))

~~The Bourse will halt trading halts on options on the S&P/TSX 60 Stock Index in accordance with the Circuit Breaker Policy (T-3) of the Bourse.~~

Trading halts on options on the S&P/TSX 60 Stock Index shall be coordinated with the trading halt mechanism of the underlying interest.

**OPTIONS ON S&P/TSE~~X~~ SECTORIAL INDICES****Section 6780-~~6789~~6800****Specific Rules Concerning the Contract Specifications**(31.01.01, [28.07.14](#))**6780 Application of Specific Rules**(31.01.01, [28.07.14](#))

In addition to articles 6571-6700 of the Rules, options on S&P/TSE~~X~~ sectorial indices shall be subject to the Rules contained in this section.

**6781 Nature of options**(31.01.01, [28.07.14](#))

A buyer of one S&P/TSE~~X~~ sectorial index option may exercise his option only on the expiration date (“European style”) to receive a cash payment equal to the difference between the strike price and the official opening level of the S&P/TSE~~X~~ sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

The seller of one S&P/TSE~~X~~ sectorial index option has, if the option is exercised, the obligation of rendering payment equal to the difference between the strike price and the official opening level of the S&P/TSE~~X~~ sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

**6785 ~~Daily Price Limit~~ Triggering of a Circuit-Breaker on the Underlying Interest**

(31.01.01)

~~The Exchange will halt trading~~ Trading halts on options on the S&P/TSE~~X~~ sectorial indices shall be coordinated with the trading halt mechanism of the underlying interest in accordance with the Circuit Breaker Policy (T-3) of the Montreal Exchange.

**6788 Trading Halts or Suspensions**(24.09.01, [28.07.14](#))

A) Trading on the Bourse in an option on S&P/TSE~~X~~ sectoriel index shall be halted whenever a Market Supervisor shall conclude, in his judgement, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in an option S&P/TSE~~X~~ sectorial index class:

- i) for options on S&P/TSE~~X~~ sectorial index, the extent to which trading is not occurring in stocks underlying the index;
- ii) for options on S&P/TSE~~X~~ sectorial index, whether the most current calculation of the index derived from the current market prices of the stocks is available;

~~B)iii)~~ whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

~~B)~~ Trading in options on S&P/TSE~~X~~ sectorial index of a class or a series that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks underlying the index.

~~C)~~ Once trading resumes, the pre-opening stage shall be done in accordance with article 6376~~5~~ of the Rules.

**D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS****Section 6801 - 6820  
Terms of Trade Futures****6808 Price Limits / 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, [28.07.14](#))

The Bourse shall establish for each contract a maximum price limit with respect to the previous day's settlement price and there shall be no trading above or below that limit except as provided below. Unless otherwise determined by the Bourse, the daily price limits shall be as follows:

- a) 30-day overnight repo rate futures: NIL
- b) Overnight Index Swap futures: NIL
- c) 1-month and 3-month Canadian bankers' acceptance futures: NIL
- d) Government of Canada Bond futures: NIL
- e) Futures contracts on the S&P/TSX Indices:

- i) ~~Trading halts~~ Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on the futures contracts on the S&P/TSX Indices shall be coordinated with the trading halt mechanism of the underlying interest. ~~In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contracts shall be triggered only in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.~~

- ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the stocks interest underlying the S&P/TSX Indices have re-opened.

## f) Canadian share futures contract

i) ~~Trading halts~~ Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying interest. ~~In accordance with Policy T 3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.~~

## g) International share futures contract

i) Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on international share futures contract shall be coordinated with the trading halt mechanism of the underlying interest.

In the event that a recognized exchange suspends trading in the underlying share interest of an international share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

h) Futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) units with physical and cash settlement

NIL

## i) Futures contracts on Canadian Crude Oil

NIL



**Section 6201 - 6210**  
**Trading Sessions of The Exchange**

**6201 Daily Trading Sessions**

(03.07.87, 10.10.91, 05.12.97, 02.10.98, 22.11.99, 28.07.14)

- a) Except as may be otherwise determined by the Bourse, trading sessions shall be held on the Bourse every day except Saturdays, Sundays and holidays.
- b) If certain urgent events require it, market opening and closing times are established by the Bourse.

These times may be different for each category of listed products. An advance notice must be given to approved participants of any changes.

**6202 Proceeding at Trading Sessions**

(10.10.91, abr. 28.07.14)

**6203 Suspension of Trading Sessions**

(10.10.91, 28.07.14)

When urgent circumstances warrant it, the Bourse may suspend trading for one trading session or any part of a trading session.

**6204 Delayed, Halted and Suspended Trading**

(10.10.91, 22.11.99, abr. 28.07.14)

**Section 6621 - 6650**  
**Trading - Options**

**6636.1 Triggering of a Circuit-Breaker on the Underlying Interest**

(28.07.14)

Trading halts on equity, exchange-traded funds or income trust units options shall be coordinated with the trading halt mechanism of the underlying interest.

**OPTIONS ON THE S&P/TSX 60 STOCK INDEX**

**Section 6771 - 6779**  
**Specific Rules Concerning the Contract Specifications**

(07.09.99, 18.12.12, 28.07.14)

**6776 Triggering of a Circuit-Breaker on the Underlying Interest**

(07.09.99, 29.04.02, 18.12.12, 28.07.14)

Trading halts on options on the S&P/TSX 60 Stock Index shall be coordinated with the trading halt mechanism of the underlying interest.

**OPTIONS ON S&P/TSX SECTORIAL INDICES****Section 6780-6789****Specific Rules Concerning the Contract Specifications**

(31.01.01, 28.07.14)

**6780 Application of Specific Rules**

(31.01.01, 28.07.14)

In addition to articles 6571-6700 of the Rules, options on S&P/TSX sectorial indices shall be subject to the Rules contained in this section.

**6781 Nature of options**

(31.01.01, 28.07.14)

A buyer of one S&P/TSX sectorial index option may exercise his option only on the expiration date (“European style”) to receive a cash payment equal to the difference between the strike price and the official opening level of the S&P/TSX sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

The seller of one S&P/TSX sectorial index option has, if the option is exercised, the obligation of rendering payment equal to the difference between the strike price and the official opening level of the S&P/TSX sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

**6785 Triggering of a Circuit-Breaker on the Underlying Interest**

(31.01.01, 28.07.14)

Trading halts on options on the S&P/TSX sectorial indices shall be coordinated with the trading halt mechanism of the underlying interest.

**6788 Trading Halts or Suspensions**

(24.09.01, 28.07.14)

A) Trading on the Bourse in an option on S&P/TSX sectorial index shall be halted whenever a Market Supervisor shall conclude, in his judgement, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in an option S&P/TSX sectorial index class:

- i) for options on S&P/TSX sectorial index, the extent to which trading is not occurring in stocks underlying the index;
- ii) for options on S&P/TSX sectorial index, whether the most current calculation of the index derived from the current market prices of the stocks is available;
- iii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

- B) Trading in options on S&P/TSX sectorial index of a class or a series that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks underlying the index.
- C) Once trading resumes, the pre-opening stage shall be done in accordance with article 6375 of the Rules.

## D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

### Section 6801 - 6820 Terms of Trade Futures

#### **6808 Price Limits / 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, 28.07.14)

The Bourse shall establish for each contract a maximum price limit with respect to the previous day's settlement price and there shall be no trading above or below that limit except as provided below. Unless otherwise determined by the Bourse, the daily price limits shall be as follows:

- a) 30-day overnight repo rate futures: NIL
- b) Overnight Index Swap futures: NIL
- c) 1-month and 3-month Canadian bankers' acceptance futures: NIL
- d) Government of Canada Bond futures: NIL
- e) Futures contracts on the S&P/TSX Indices:

- i) Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on the futures contracts on the S&P/TSX Indices shall be coordinated with the trading halt mechanism of the underlying interest.

- ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the interest underlying the S&P/TSX Indices have re-opened.

f) Canadian share futures contract

i) Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying interest.

g) International share futures contract

i) Triggering of a Circuit-Breaker on the Underlying Interest

Trading halts on international share futures contract shall be coordinated with the trading halt mechanism of the underlying interest.

In the event that a recognized exchange suspends trading in the underlying interest of an international share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

h) Futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) units with physical and cash settlement

NIL

i) Futures contracts on Canadian Crude Oil

NIL