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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 109-16
September 14, 2016

REQUEST FOR PROPOSALS

MARKET MAKING OF FIVE-YEAR GOVERNMENT OF CANADA BOND FUTURES (CGF)

Bourse de Montréal Inc. (the “Bourse”) is issuing a Request for Proposal (“RFP”) for the market making of the Five-Year Government of Canada Bond Futures (CGF). This RFP is intended for approved participants and foreign approved participants interested in submitting proposals outlining their abilities and commitment towards market making activities for the designated Bond Futures contracts. The Market making requirements and the conditions of the program are indicated in the RFP.

Selected market makers will benefit from transaction and clearing fee waivers for their firm’s Ten-Year Government of Canada Bond Futures (CGB) transactions, in addition to their CGF transactions.

At the end of the RFP submission period, the Bourse may proceed with the selection of up to three market makers.

Proposed Timeframe:

| Implementation Timeline | Event |
|--------------------------------|--|
| September 14, 2016 | Distribution of RFP |
| September 28, 2016 | Deadline for reception of proposals to RFP |
| October 5, 2016 | Notification of selected market makers |
| October 31, 2016 | Deadline for signature of the Market Maker Agreement |
| November 1, 2016 | Launch of market making operations |

* The proposed timeframe is subject to change at the discretion of the Bourse.

You will find detailed information about the Market Making Program attached herein or on the website of the Bourse at www.m-x.ca.

For additional information, please contact the undersigned at 514-871-7891 or at jelkaim@m-x.ca.

Joanne Elkaim
Director, Interest Rates Derivatives
Financial Markets

REQUEST FOR PROPOSAL

Market Making of Five-Year Government of Canada Bond
Futures (CGF)



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Introduction and Purpose of the Request for Proposal

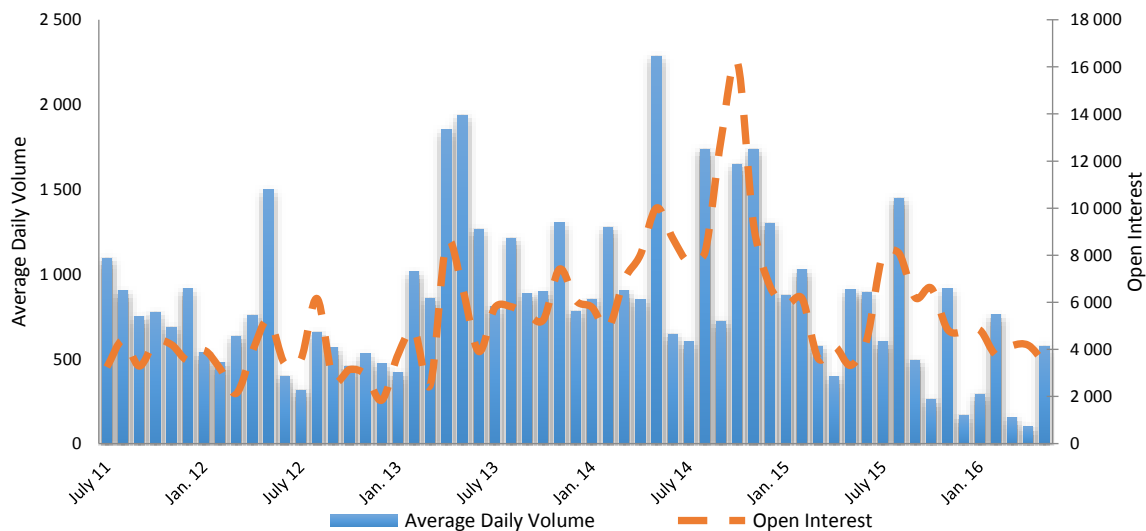
The Montreal Exchange (the “Bourse”) is requesting all approved participants and foreign approved participants (“Approved Participants” or “APs”) who are interested in the new market making program described herein (the “Market Making Program”) to submit a proposal outlining their abilities and commitment towards the market making of the Bourse’s Five-Year Government of Canada Bond Futures (CGF) (“Proposal”).

Background

The Bourse’s goal to develop a full sovereign yield curve dates to 1995 when the CGF was first launched. Efforts to market and develop the CGF began in July 2011 with the launch of the “Yield Curve Project” which saw the introduction of designated market makers.

This first market making program lead to several CGF market records including daily volume (20,149 contracts on May 26, 2014), monthly volume (47,986 contracts in May 2014), annual volume (301,026 contracts in 2014), and open interest (20,971 contracts on May 26, 2014).

CGF - Average Daily Volume and Open Interest



In addition, incentive programs targeting buy-side clients and firm desks, and fee rebates for liquidity providers have been implemented as a way to drive interest in the CGF.

Program

Description of the new Market Making Program

As part of this renewed effort, the Bourse will proceed, if the responses submitted are satisfactory, with the selection of up to three (3) market makers (the “Market Maker”) who will quote the designated fixed income futures contracts.

Up to three (3) Market Makers shall be admitted to the Market Making Program.

Eligibility and Selection Criteria

All Approved Participants of the Bourse are eligible to be appointed as Market Maker.

In addition to the factors listed in article 6820 of its Rules, the Bourse will consider the following criteria in selecting Market Makers:

- Primary Dealer Status: Primary dealers for Government of Canada bonds¹ will be given priority considering their access to the underlying cash bond market. Respondents who are not Primary Dealers are required to describe their access to the cash market.
- Technology: Automation capabilities which can be deployed to support market making activities of superior quality.
- Knowledge: Market Makers will be required to have the necessary skills and experience for the market making of fixed income markets.
- Compliance with rules – Only APs in good standing and in compliance with the Rules and Procedures of the Bourse will be considered.

Incentives

Transaction and Clearing Fees Waivers

Selected market makers will benefit from transaction and clearing fee waivers for their firm's Ten-Year Government of Canada Bond Futures (CGB) transactions, in addition to their CGF transactions.

The fee waivers shall remain in effect for the duration of the Market Making Program.

Fee waivers shall be credited monthly, subject to the Market Maker fulfilling the obligations contained in the Market Making Agreement signed with the Bourse.

Duration of the Program

The duration of the Program will be one year, beginning the first of the month following the signature of the contract. Market Makers will be required to sign a standard Market Making Agreement for a fixed one-year term, with the Bourse's option to renew for another year.

Designated Fixed Income Futures Contracts

Mandatory: Five-Year Government of Canada Bond Futures (CGF)

Market Making Requirements

1. Length of day:
 - Market Makers will be required to quote 80% of the regular trading session, at the minimum size, and maximum spread indicated in Sub-Section 2. *Market Making Requirements - Minimum size and maximum spread requirement.*
2. Minimum size and maximum spread requirement:

¹ Primary dealer status will be confirmed with the list maintained on the Bank of Canada's website.

| Contracts | Symbol | Notional Amount | Size Quote | Number of Contracts | Maximum Spread |
|---|--------|-----------------|--------------|---------------------|----------------|
| Five-Year Government of Canada Bond Futures (CGF) | CGF | \$100,000 | \$10,000,000 | 100 | 3 ticks |

3. Close of markets:

- Market Makers will be required to quote markets at the close of the regular session in order to ensure orderly daily settlement procedures. Market Makers will be required to submit orders within the last minute of trading, daily.

4. Roll periods

- During contract roll periods, Market Makers shall post the calendar spreads between the nearby and the first deferred delivery month at contracted bid-offered price spreads and in contracted bid and offered depth.

The roll period shall be defined as the period that begins 10 business days prior to, and 5 business days following, the First Delivery Notice Day of each quarterly contract.

Monitoring of Performance

The Bourse will be monitoring the Market Makers' order book activity to determine compliance with the obligations set forth in the Market Making Agreement.

The Bourse shall be solely responsible for the monitoring of Market Makers compliance with the Market Making Program obligations and the calculation of the corresponding incentives in accordance with the terms of the Market Making Agreement.

Application Process

To respond to this RFP, please provide a Proposal addressing the requirements and selection criteria outlined above. All Proposals should be submitted to the contact person indicated below by no later than 5pm Montreal time on September 28, 2016.

The Proposals will be evaluated by the selection committee of the Bourse, which includes members from the various business units of the Bourse.

Contact

For any question or information, please contact:

Joanne Elkaim

Director, Fixed Income Derivatives

Phone: 514-871-7891 | Email: jelkaim@m-x.ca

Timeframe

| Implementation Timeline | Event |
|-------------------------|--|
| September 14, 2016 | Distribution of RFP |
| September 28, 2016 | Deadline for reception of proposals to RFP |

| | |
|-------------------|--|
| October 5, 2016 | Notification of selected market makers |
| October 31, 2016* | Deadline for signature of the Market Maker Agreement |
| November 1, 2016* | Launch of market making operations |

* Market Maker Agreements signed after October 31, 2016 will be effective as of the first day of the month following signature and will end one year later.

Information Table

The Selection Committee will evaluate Proposals based on the requirements and selection criteria described in this RFP. All Proposals should include a filled out Information Table attached (page 8).

Confidentiality

All documents submitted by respondents and the information contained in the Proposals shall be treated as confidential by the Bourse.

Evaluation

The objective of the evaluation process is to identify the Proposals that, in the discretion and assessment of the Bourse, most effectively meet the requirements and selection criteria provided for in this RFP. Any additional information provided by the respondents will also be considered if it is deemed to be the most beneficial to the Bourse’s market participants.

General Terms and Conditions

1. The Market Making Program is subject to the Rules and Procedures of the Bourse and in the event of an inconsistency between the Market Making Program and the Rules and Procedures of the Bourse, the latter shall prevail. However, where a term of the Market Making Program is more specific than or supplement the Rules and Procedures, such more specific or supplementary term will apply.
2. The issuance of this RFP shall not cause any express or implied commitment or undertaking on the part of the Bourse and the Bourse is under no obligation or commitment, whatsoever, to accept any Proposal, select Market Maker(s) or implement the Program. The Bourse may cancel, amend or withdraw, at its own discretion, this RFP without prior notice.
3. All decisions will be made by the Bourse at its sole discretion, including regarding the selection of Market Maker(s), and shall be final and binding.
4. The Bourse shall not be liable for any fees, costs or expenses incurred by the respondent resulting from this RFP or any other request.
5. Proposals received after the deadline for Proposal submissions will only be accepted at the discretion of the Bourse.
6. All Proposals shall be binding for a period of 30 days following the deadline for Proposal submissions. Should a respondent wish to alter or amend a Proposal, it shall withdraw its original Proposal by delivering written notice via email to the contact person listed above, and submit a new Proposal prior to the deadline for Proposal submissions. The respondent may revoke its Proposal at any time prior to the deadline for Proposal submissions by delivering written notice via email to the contact person listed above.
7. The selected Market Maker(s) will be required to sign the same standard Market Making Agreement with the Bourse prior to being admitted into the Program. No incentives may be earned before the binding standard Market Making Agreement has been signed by the Bourse and the selected Market Maker(s).
8. The selected Market Maker(s) will be required to, directly or through their clearing member (responsible for the allocation process), set up a sub-account that can be recognized by the Bourse, and will also set up a Multi-Purpose sub-account (i.e. client netted account) at the Canadian Derivatives Clearing Corporation (CDCC).

9. If selected, the Market Maker consents to the disclosure of their status as a market maker on the Designated Contract in any marketing efforts the Bourse de Montréal deems appropriate, including, but are not limited to, the Bourse's website.
10. The Bourse reserves the right to terminate the Market Making Agreement or modify the Market Making Program upon 30-day written notice to the Market Maker(s).
11. The Bourse reserves the right to replace or appoint additional Market Maker(s) in instances including, but not limited to, where a Market Maker fails to fulfil the obligations set forth in the Market Making Agreement. The replacement or addition of a new Market Maker is at the sole discretion of the Bourse, and can be completed by selecting a Market Maker that originally submitted a Proposal or by re-opening this RFP. The Bourse reserves the right to change the terms of this RFP or to reopen it after the deadline for Proposal submissions without prior notice.
12. Market Makers waive the right to participate in any additional incentive program that the Bourse may implement to support and develop the CGF for as long as they are a party to the Market Making Agreement.

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Information Table

| Information Requested | Response |
|--|--|
| GENERAL CORPORATE INFORMATION | |
| Firm Name: | |
| Firm Address: | |
| Contact Information | |
| Name and Title: | |
| Telephone Number: | |
| Email Address: | |
| Firm Division: | |
| Primary Dealer: | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Ability to Open Sub-Account | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Other Exchange Memberships: | |
| Staffing (Contact info): | |
| Traders: | |
| Programmers: | |
| TECHNOLOGY/OPERATIONS/RISK MANAGEMENT | |
| Description of Automation Capabilities | |
| Trading Tools | |
| Name of Independent Software Vendors (ISVs) | |
| Description of Cash Market Access | |
| Description of Risk Management Tools | |
| Additional Risk Safeguards | |
| CAPITALIZATION/FINANCIAL INFORMATION | |
| Market Making Capital | |
| Balance Sheet | |
| Risk Budget | |
| FIXED INCOME AND MARKET MAKING EXPERIENCE | |
| Number of Years Trading Fixed Income | |
| Number of Years Market Making | |
| Description of Experience (products, venues, etc.) | |

| COMMITMENT TO DESIGNATED CONTRACTS | | | | | |
|--|--|----------|-----------|----------|-----------|
| Contracts | Notional Amount | Size | | Spread | |
| | | Required | Committed | Required | Committed |
| <u>Mandatory</u> | | | | | |
| Five-Year Government of Canada Bond Futures (CGF) | \$100,000 | 100 | | 3 ticks | |
| Best efforts to post a continuous basis market | <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |
| Best efforts to provide block markets upon request | <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |

Other Considerations:

What are the advantages of your market making abilities over other firms? Please elaborate.
