



CIRCULAR 129-24
November 7, 2024

SELF-CERTIFICATION

**AMENDMENTS TO THE RULES OF THE BOURSE DE MONTRÉAL
TO DEFINE RISKLESS TRANSACTIONS ON OPTIONS**

On April 22, 2024, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to the Rules of the Bourse De Montréal to define Riskless Transactions on Options. These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

The amendments attached hereto will become effective on **December 2, 2024**, after market close. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

The amendments covered by this circular were the subject of a request for comments published by the Bourse on April 29, 2024 (see [Circular 043-24](#)). Further to the publication of this circular, the Bourse did not receive any comments.

For additional information, please contact Adam Allouba, Chief Legal Officer, by email at adam.allouba@tmx.com.

Adam Allouba
Chief Legal Officer
Bourse de Montréal Inc.

BLACKLINED VERSION OF THE AMENDMENTS

Article 3.105 Notification to the Regulatory Division of Non-Compliance

[...]

(b) An Approved Participant must diligently conduct a review in accordance with its internal supervision policies and procedures upon becoming aware that, such Approved Participant, an employee, an Approved Person, or a client authorized pursuant to Article 3.5 possibly violated the Rules pertaining to:

- (i) Article 7.6 respecting front running;
- (ii) Article 7.5 respecting manipulative or deceptive methods of trading;
- (iii) Article 7.3 respecting best execution;
- (iv) Articles 3.4 and 3.5 respecting access to electronic trading;
- (v) Articles 6.114 and 6.116 respecting management of priorities;
- (vi) Articles 6.203, 6.204, 6.205, 6.206, ~~and 6.207~~ and 6.207A respecting Transactions required on Bourse facilities;
- (vii) Article 6.200 respecting Off-Exchange Transfers of Existing Positions on a Listed Product;
- (viii) Article 6.208 respecting Exchange of Futures for Related Products.

[...]

Article 3.112 Market Makers – Options and Futures

[...]

- (g) Conditions specific to clients of an Approved Participant:
 - (i) Under the terms of the mandatory Market Making Agreement referred to under paragraph (f) above, a client of an Approved Participant notably agrees to the following with respect to its trading activities and conduct as a Market Maker and must (i) be subject to the jurisdiction of the Bourse, acting as a self-regulatory organization, including its Regulatory Division and any of its Committee, during the term of the Market Making Assignment and thereafter in accordance with Article 4.2 to the same extent and as if it was itself an Approved Participant and (ii) comply with all the Regulations of the Bourse as if it was itself an Approved Participant, with the necessary adaptations, including with Part 4 of the Rules

(except with respect to examinations), Articles 3.100, 3.110, 4.101, 6.3, 6.10, 6.11, 6.114, 6.115, 6.118, 6.118(j)(k), 6.119, 6.120, 6.202, 6.203, 6.204, 6.205, 6.206, 6.207, 6.207A, 6.209, 6.210, 6.309 and following regarding position limits, 7.5, 7.6, 7.7 and 12.7 and following regarding position limits, as these may be amended and/or replaced from time to time.

[...]

Article 6.204 Exceptions to Prohibition on Prearranged Transactions

The prohibition in Article 6.203 shall not apply to prearranged Transactions pursuant to Article 6.205; block Trades pursuant to Article 6.206; riskless basis cross Trades pursuant to Article 6.207; **riskless Transactions on options pursuant to Article 6.207A**; exchange of Futures for risk pursuant to Article 6.208; and off-exchange transfers under Article 6.200; *provided however*, no Transaction under any of the exceptions included in this Article may be executed using a hidden volume functionality.

Article 6.207A Riskless Transactions on Options

a) In general. An Approved Participant and the customer may prearrange a Transaction outside of the Electronic Trading System as mutually agreed between the Approved Participant and the customer, in accordance with the following conditions:

(i) The parties may agree on the average price traded and quantity (expressed in delta percentage) of the underlying stock or exchange-traded fund (“Underlying Securities”), the option price as well as the quantity of option contracts.

(ii) To initiate the riskless Transaction on options, the Approved Participant must first acquire positions (long or short exposure) in stocks or exchange-traded funds for its own account.

(iii) The Transaction shall be executed at the time agreed by the counterparties, with the Underlying Securities’ position being completed during the regular trading hours of the Underlying Securities and the option position being executed the same day that the cash position is completed by the Approved Participant. The option position can be executed either:

(1) During the regular trading hours of the options as determined and published by the Bourse, or

(2) Before the end of the special trading session, as established by the Bourse, subject to the following conditions:

(A) a minimum of 10% of the Underlying Securities position has been completed using the Market on Close facility of Toronto Stock Exchange;

(B) the quantity of option contracts respects the minimum volume threshold set forth in Article 6.205 of the Rules.

(iv) Approved Participants can submit their Transactions in the format specified by the Exchange.

(v) The minimum size requirement to enter into a riskless Transaction on options is the minimum volume threshold set forth for User Defined Strategies (UDS) in Article 6.205 of the Rules if the Transaction is executed during the special trading session. During the regular trading hours of the options, there is no minimum size requirement to complete a Riskless Transaction on Options and it will follow the prescribed time period as defined in Article 6.205 b).

vi) The trading hours will be determined and published by the Bourse.

(b) Each party to a riskless Transaction on options must keep full and complete records relating to the riskless Transaction on options and must provide to the Bourse upon request complete records and documentary evidence relating to such Transaction demonstrating that the Transaction is a *bona fide* Transaction and that it has been carried out in accordance with the conditions of this Article.

(c) In all circumstances, a riskless Transaction on options can only be arranged by the Approved Participant's Approved Persons.

CLEAN VERSION OF THE AMENDMENTS

Article 3.105 Notification to the Regulatory Division of Non-Compliance

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(b) An Approved Participant must diligently conduct a review in accordance with its internal supervision policies and procedures upon becoming aware that, such Approved Participant, an employee, an Approved Person, or a client authorized pursuant to Article 3.5 possibly violated the Rules pertaining to:

- (i) Article 7.6 respecting front running;
- (ii) Article 7.5 respecting manipulative or deceptive methods of trading;
- (iii) Article 7.3 respecting best execution;
- (iv) Articles 3.4 and 3.5 respecting access to electronic trading;
- (v) Articles 6.114 and 6.116 respecting management of priorities;
- (vi) Articles 6.203, 6.204, 6.205, 6.206, 6.207 and 6.207A respecting Transactions required on Bourse facilities;
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(i) The parties may agree on the average price traded and quantity (expressed in delta percentage) of the underlying stock or exchange-traded fund (“Underlying Securities”), the option price as well as the quantity of option contracts.

(ii) To initiate the riskless Transaction on options, the Approved Participant must first acquire positions (long or short exposure) in stocks or exchange-traded funds for its own account.

(iii) The Transaction shall be executed at the time agreed by the counterparties, with the Underlying Securities’ position being completed during the regular trading hours of the Underlying Securities and the option position being executed the same day that the cash position is completed by the Approved Participant. The option position can be executed either:

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