CIRCULAR 139-18
August 21, 2018

INTRODUCTION OF DAILY PRICE LIMIT FUNCTIONALITY ON CERTAIN EQUITY AND ETF OPTIONS

Kindly note that Bourse de Montréal Inc. (the "Bourse") will be introducing the Daily Price Limits ("DPL") functionality in the Bourse's SOLA trading engine for the benefit of certain Equity and ETF options on Friday August 31, 2018.

The Bourse will introduce the DPL functionality to enhance the granularity of its Marketplace Thresholds – the functionality will allow a better control of clearly erroneous orders and an improved management of short-term volatility on options.

The DPL functionality is comprised of two levels of control:

1- (X) which is a price limit based on a calculated control price that filters incoming orders based on their price

This limit, referred to as (X), validates incoming order prices against a predetermined control price. Any order above or below the limit price will be automatically rejected and a message to that effect will be sent to the market participant who entered the order. This order price validation should avoid transactions at prices that would be deemed detrimental to the market integrity.

2- (Y) which is a price limit based on a calculated control price that validates the potential execution price of the next executable order;

This limit, referred to as (Y), is narrower than the (X) limit and validates the potential execution price against the same control price predetermined by the Bourse for each instrument. Any order priced within (X)'s limits will be accepted into the Central Limit Order Book ("CLOB"). The DPL functionality will intervene if the potential execution price of an order exceeds the (Y)'s limits and prevent the transaction from occurring.

During the opening phase of an instrument, the (Y) limits may also place an instrument into a reserved state, as further explained within rule 6636.2 of the rules of the Bourse.

Both the (X) and (Y) limits for a given product are based on the same calculated control price. Furthermore the (X) limits will be disseminated to market participants via SOLA's s High Speed Vendor Feed to participants' front end systems. However, the (Y) limits will not be disseminated via SOLA's HSVF. Consequently, the Bourse will publish via a circular the (Y) limits thresholds that are slated for the launch of the DPL functionality and will subsequently publish the thresholds for any new option classes added.

Given the complexity and importance of the DPL functionality, the Bourse will be taking a measured approach in its introduction so as to ensure that the implementation is transparent to market participants. Therefore, the DPL functionality will be launching with three option classes on August 31, 2018 as follows:

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Option Class	Option Class Symbol
Barrick Gold Corporation	ABX
BCE Inc.	BCE
Royal Bank of Canada	RY

Additionally the upper and lower (Y) Limits for each option instruments will use the percentages illustrated in the table below.

Option Moneyness	Y % Below Control Price	Y % Above Control Price
ITM 8 and Up	30%	40%
ITM 7	35%	50%
ITM 6	40%	60%
ITM 5	45%	90%
ITM 3-4	60%	120%
ITM 2	80%	150%
ATM 1 & ITM1	80%	150%
OTM 1-3	90%	160%
OTM 4	99%	180%
OTM 5-6	99%	200%
OTM 7	99%	250%
OTM 8 and Up	99%	300%

ITM= In the Money   ATM= At the Money   OTM= Out of the In the Money

For additional information, please contact the Market Operations Department, at 514 871-7877, or at monitoring@tmx.com.

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