

S&P/MX International Cannabis Index Futures

Cannabis Options Market Overview

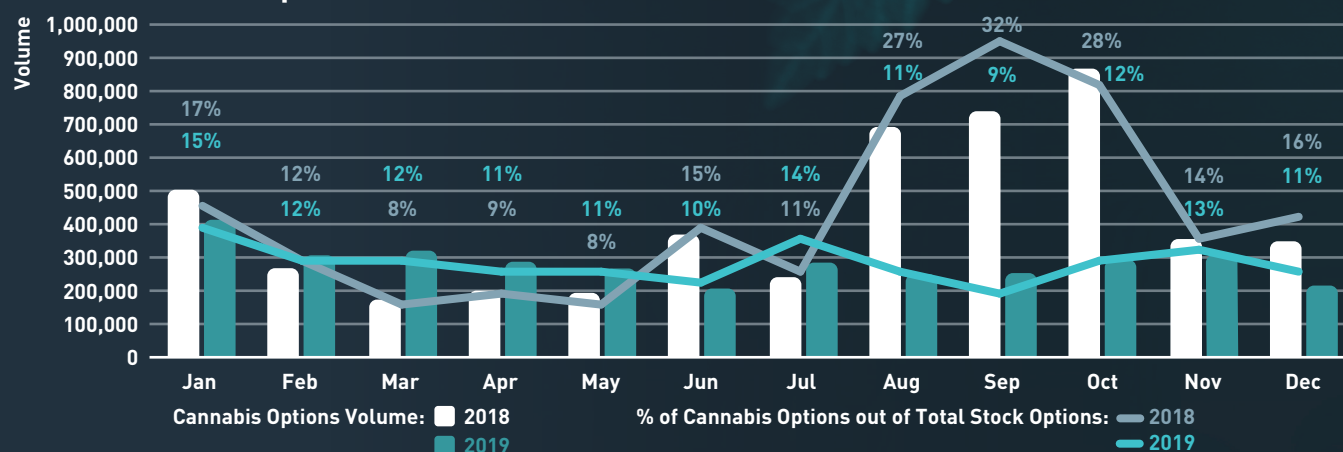
Canada has established itself as a benchmark for the legal cannabis industry. The first cannabis company, Canopy Growth Corporation (WEED), formerly Tweed Inc., was listed on the TSX Venture Exchange (TSXV) in 2014. Subsequently, options on cannabis companies were introduced on the Montréal Exchange (MX) in May 2017 and quickly reached the ranks of the most active options classes in Canada as retail investors instigated early adoption.

2019 highlights

- 3.4M** contracts traded in cannabis options.
- 77%** of the 3.4M contracts trade by retail clients.
- 17%** of the total 2019 retail options volumes was traded in cannabis options.
- 12%** of the total stock options volume was traded in cannabis options.
- #1** The top traded stock option in 2019 was ACB, its volume represented 5% of the total stock options volume.

SYMBOL	2018 Volume	2019 Volume	2019	
			Retail %	Institutional %
ACB	2,492,075	1,400,950	69%	31%
WEED	1,261,981	747,116	78%	22%
APHA	773,718	527,015	98%	2%
HMMJ	137,000	268,488	53%	47%
TRST	127,037	182,231	83%	17%
HEXO	101,892	171,656	100%	0%
CRON	41,251	93,943	94%	6%
TGOD	53,137	21,928	100%	0%
TOTAL	4,988,091	3,430,569	77%	23%

2018-2019 Cannabis Options Volume



S&P/MX International Cannabis Index

Building on the success of the cannabis options market, MX created a global cannabis index in partnership with S&P, aiming to expand on its existing suite of products to include a futures contract. The launch of cannabis index futures will position the TMX Group as a global leader in the industry. For the futures to be accessible internationally and to strengthen MX's position in the cannabis ecosystem, its underlying index is designed to be broad-based. The methodology described below is used to construct the index.

METHODOLOGY

Universe	Cannabis companies listed on an exchange that only lists legally authorized companies in their local federal jurisdiction. (Currently, TMX, NYSE and NASDAQ)
Eligibility criteria	<p>1. Size</p> <p>Free float market capitalization > USD 120 million (current constituents greater than or equal to USD 60 million)</p> <p>2. Liquidity</p> <ul style="list-style-type: none">• 6-month median dollar value traded > USD 400K• 6-month average dollar value traded > USD 400K
Rebalance frequency	Quarterly, after close on 3rd Friday of January, April, July and October
Rebalancing reference	Last business days of February, May, August and November
Weighting	Free-float market-capitalization weighted (10% stock cap at each rebalance and excess equally distributed among other constituents)
Re-weighting triggered if	<ul style="list-style-type: none">• Sum of largest five companies > 57%• 6-month ADVT of bottom 25% weight < USD 30 million (if constituent count < 15: 6-month ADVT of bottom 25% weight < USD 50 million)• Stock weight >30%

S&P/MX International Cannabis Index Futures

MX believes that futures on the S&P/MX International Cannabis Index will attract new international pools of liquidity from around the globe. As cannabis legislation progress and companies eye expansion, the United States, Europe and Asia are poised to be new frontiers for some major Canadian cannabis players. In an effort to support the success of the product, TMX has been working on establishing relationships with key partners with global marketing and retail distribution channels.

Contract Specifications

Underlying Index	S&P/MX International Cannabis Index
Symbol	SMJ Basis Trade on Close: BMJ
Multiplier	C\$50 times the S&P/MX International Cannabis Index Futures contract value
Expiry Cycle	March, June, September, December
Price Quotation	Quoted in index points, expressed to two decimals
Minimum Price Fluctuation	0.10 index points for outright positions 0.01 index points for calendar spreads 0.05 index points for outright Basis Trades on Close
Contract Type	Cash settlement. The final settlement price is the official opening level of the underlying index on the final settlement day.
Last Trading Day	Trading ceases on the trading day prior to the final settlement day.
Position Reporting Threshold	500 contracts gross long and short in all contract months combined (Same as Sector Index Futures)
Position Limit	Information on position limits can be obtained from the Montréal Exchange as they are subject to periodic changes. See Circulars .
Final Settlement Day	The third Friday of the contract month, provided it is a business day. If it is not a business day, final settlement will occur on the preceding business day.
Trading Hours (Montréal time)	Early session*: 2:00 a.m. to 9:15 a.m. ET Regular session: 9:30 a.m. to 4:30 p.m. ET Basis Trades on Close: Regular session 9:30 a.m. to 3:30 p.m. ET

* A trading range of -5% to +5% (based on previous day's settlement price) has been established only for this session.

S&P/MX International Cannabis Index as of December 2019

	Overall Index	Top 70% of Index Weight	Bottom 30% of Index Weight
Average Company Size	\$1,551,711,988	\$3,330,105,055	\$535,487,378
Median Company Size	\$501,660,000	\$3,010,563,758	\$376,783,300
Average Daily Traded Volume	31,110,681	18,195,210	12,915,470
Median Daily Traded Volume	707,938	1,191,133	447,317
TSX Companies	64%	63%	64%
TSXV Companies	9%	0%	14%
NASDAQ Companies	23%	25%	21%
NYSE Companies	5%	13%	0%
Average Weight	4.55%	9.00%	2.00%
Median Weight	2.92%	10.43%	1.92%

Top 5 Eligible S&P/MX International Cannabis Index Constituents as of December 2019

EXCHANGE	Name	Root Ticker	6-month MDVT in USD (million)	6-month ADVT in USD (million)	Capped Weight
NASDAQ	GW Pharmaceuticals PLC	GWPH	\$17.8476	\$20.9682	10.9%
TSX	Canopy Growth Corp	WEED	\$42.2437	\$50.8683	10.7%
TSX	Aphria Inc	APHA	\$10.8665	\$13.6528	10.6%
TSX	Cronos Group Inc	CRON	\$7.1208	\$8.1601	10.5%
NASDAQ	Arena Pharmaceuticals Inc	ARNA	\$7.1729	\$7.9625	10.3%

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