



## MONTREAL EXCHANGE

# Extended Hours Project Overview

### Summary

The Montréal Exchange (MX) has extended its trading hours on October 9, 2018 and is now open as of 2:00 a.m. ET. The MX has successfully established itself as Canada's benchmark and while it is undoubtedly a strong local exchange, the need for Canadian listed derivatives is growing globally and market participants' needs are changing.

The Montréal Exchange has extended its trading hours in order to continue to grow its market and address the needs of participants and end-users. This initiative is meant to accommodate trading and risk management needs globally, by allowing domestic and international clients to manage their exposure to Canadian markets and execute cross-market strategies during non-regular Canadian business hours.

By extending its trading hours, the MX aims to foster and enhance transparency and price discovery while increasing market participation, which in turn is expected to enhance market depth and liquidity on its listed derivatives, over the long-term. This will ultimately benefit the Canadian listed derivatives market and its participants overall. Extended trading hours will also help the Exchange expand globally, diversify its existing client base, as well as develop new liquidity centers.

All times indicated in this document are Eastern Time - ET.

**Montréal Exchange now open at 2:00 a.m. ET**

# Products

## Interest rate derivatives<sup>1</sup>

<b>BAX</b> Three-Month Canadian Bankers' Acceptance Futures	<b>OBX</b> Options on Three-Month Canadian Bankers' Acceptance Futures
<b>CGF</b> Five-Year Government of Canada Bond Futures	<b>CGB</b> Ten-Year Government of Canada Bond Futures

## Products in Scope for February 25, 2019

### Index derivatives<sup>2</sup>

<b>SXF</b> S&P/TSX 60 Index Standard Futures
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## Trading Stages

### Interest rate derivatives

<b>NEW TIME</b>	<b>Stages</b>	<b>Description</b>
1:30 a.m.	Pre-opening	Order entry, cancellation and modification permitted.
1:59:15 a.m.	No-cancel	Order entry permitted; cancellation and modification not permitted.
2:00 a.m. (± 15 seconds)	<b>Opening</b> (regular session)	Order entry, cancellation and modification permitted.
4:30 p.m.	Closing	Order entry, cancellation and modification not permitted.

- For interest rate derivative products, the trading day starts at 2:00 a.m. (+/- 15 seconds) and ends at 4:30 p.m., and consists of one single continuous trading session.
- On early closing days, interest rate derivatives close for trading at 1:30 p.m.

1. As well as all other interest rate derivatives

2. As well as all other index futures.

## Index derivatives

### NEW TIME

(as of February 25, 2019)

	Stages	Description
1:30 a.m.	Pre-opening	Order entry, cancellation and modification permitted.
1:59 a.m.	No-cancel	Order entry permitted; cancellation and modification not permitted.
2:00 a.m.	<b>Opening</b> (early session)	Order entry, cancellation and modification permitted.
9:15 a.m.	Pre-opening	Order entry, cancellation and modification permitted.
9:29 a.m.	No-cancel	Order entry permitted; cancellation and modification not permitted.
9:30 a.m.	<b>Opening</b> (regular session)	Order entry, cancellation and modification permitted.
4:30 p.m.	Closing	Order entry, cancellation and modification not permitted.

- For index futures products, the trading day starts at 2:00 a.m. and ends at 4:30 p.m., and consists of two trading sessions. The early trading session is effective from 2:00 a.m. to 9:15 a.m. and the regular trading session is effective from 9:30 a.m. to 4:30 p.m.

# Gateways & Services Schedule

Interest rate derivatives: currently effective  
Index derivatives: February 25, 2019

<b>SERVICE</b>	<b>New opening time (weekday)</b>
LOPR	1:00 a.m.
HSVF (Retransmit)	1:00 a.m.
HSVF Dictionary	1:00 a.m.
OBF Dictionary	1:00 a.m.
OBF (Retransmit)	1:00 a.m.
FIX	1:15 a.m.
ATR	1:15 a.m.
Clearing API	1:15 a.m.
SAIL - Drop Copy	1:15 a.m.
SAIL	1:15 a.m.
TMS	1:30 a.m.

## Impacts on Trading and Related Services

The Montréal Exchange offers the same level of service and trading experience for the full length of the trading day, regardless of the time, including continuous support (trading and connectivity).

### Trading

- Electronic access
- Block trades (**Interest rate derivatives only**)
- Exchange for Risk/Exchange for Physical (EFR/EFP)
- Crosses & prearranged transactions

### Risk Management Services

- Drop copy
- Global Cancel functionality
- While Connected functionality for day orders
- Pre-Trade Validation API (PTV)

## Post-Trade Services

- Trade Management System (TMS)
- Clearing API
- Automated Trade Reporting (ATR)
- Large Open Positions Report (LOPR) service

## Orders & Duration

- Clients can trade an array of order types and durations on the SOLA trading platform. Order types and duration qualifiers vary according to the product and each client's trading application. All price and duration types applicable on each respective product are available as of the earlier opening time for products in scope.

## Order Functionalities

- Committed Order Functionality (COF)
- User-Defined Strategies (UDS) **(Interest rate derivatives only)**

## Other Services

- Participant Activity Reports (PAR)

## Market Data Feed

- **HSVF:** High Speed Vendor Feed for access to MX's real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics).
- **OBF:** Real-time binary MX Order Book Feed offers clients full depth-of-book and order-by-order detail for all derivative products traded on the Exchange.

## Impacts on Clearing<sup>3</sup>

CDCC has added an intra-day margin call at 7:15 a.m. (initial margin call (IM)) to minimize intraday uncovered exposure. For this additional margin call, CDCC uses the same procedure as the one used for other intraday margin calls. Trades are all novated on a real-time basis as of the earlier opening time. Clearing members are required to be available during the earlier hours to respond to potential inquiries and escalation in case of rare uncovered material exposure. Additionally, CDCC has developed an internal overnight escalation and notification process to enhance the management of unanticipated situations and market conditions during the extended hours period.

- Overnight prices and volumes variations are monitored;
- An internal alert could be launched if prices exceed a set of defined thresholds;
- Should the thresholds be violated, CDCC will run an unscheduled margin calculation overnight to measure the uncovered exposure of each Clearing Member (CM), i.e. the Initial Margin (IM) and Mark-to-Market (MTM) not covered by collateral;
- Based on the results, CDCC will assess whether it disposes of sufficient financial resources to cover the default of the largest exposure from one CM and its affiliates;
- Depending on the outcome of the assessment, CDCC can choose to take exceptional measures.

3. Currently applicable for interest rate derivatives. Impacts on clearing will be applicable to index derivatives as of the effective date.

# Impacts on the Regulatory Division of the Montréal Exchange

The Regulatory Division protects market integrity by conducting regulatory activities such as examinations, market analyses, investigations, and enforcement. The Regulatory Division has independently reviewed and evaluated the impacts of the project on its regulatory activities. The same rules and procedures that apply for regular trading hours apply to trades executed during the extended hours. The Regulatory Division monitors the extended hours activities and may adapt its activities where and if necessary.

## Key Rule Changes

### 1. Block Trades (thresholds and prescribed time delay)

The MX has implemented reduced minimum block thresholds and an increased prescribed time delay for the extended trading hours period, as per indicated subsequently. Prescribed time delay and minimum block thresholds as of 6:00 a.m. are not impacted by this project and can be found in article 6380d of the Rules of the Montréal Exchange.

<b>ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS</b>	<b>Prescribed time delay</b> (from 2:00 a.m. until 5:59:59 a.m.)	<b>Block - Minimum volume threshold</b> (from 2:00 a.m. until 5:59:59 a.m.)
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies one through four (BAX Whites)</b>	1 hour	500 contracts
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies five through eight (BAX Reds)</b>	1 hour	250 contracts
<b>Three-Month Canadian Bankers' Acceptance Futures quarterlies nine through twelve (BAX Greens)</b>	1 hour	100 contracts
<b>Options on Three-Month Canadian Bankers' Acceptance Futures (OBX)</b>	1 hour	500 contracts
<b>Ten-Year Government of Canada Bond Futures (CGB)</b>	1 hour	350 contracts
<b>Five-Year Government of Canada Bond Futures (CGF)</b>	1 hour	100 contracts
<b>Two-Year Government of Canada Bond Futures (CGZ)</b>	1 hour	100 contracts
<b>30-Year Government of Canada Bond Futures (LGB)</b>	1 hour	100 contracts
<b>30-Day Overnight Repo Rate Futures (ONX)</b>	1 hour	250 contracts
<b>Overnight Index Swap Futures (OIS)</b>	1 hour	50 contracts

## 2. Definition of Approved Person

The MX has expanded the eligibility criteria for Approved Persons, so that employees of an Approved Participant's affiliated corporations or subsidiaries located in a jurisdiction recognized by the Montréal Exchange are eligible for Approved Person status on behalf of that Approved Participant. Approved Persons are the individuals permitted to enter trades directly on the Exchange's trading engine, and notably to enter block trades and special terms transactions (EFP, EFR, RBC). Approved Participants have the option, but not the obligation, to appoint employees of its affiliated corporations or subsidiaries as Approved Persons to act on their behalf. Approved Persons are subject to the same obligations whether they are employed by an Approved Participant or an affiliated corporation or subsidiary of an Approved Participant. Approved Participants remain at all times responsible for the acts and omissions of all their Approved Persons and the same obligations apply to the Approved Participant with respect to them.

The expansion of the Approved Person eligibility criteria does not impact the rules on Direct Electronic Access ("DEA") which remain separate and unchanged. In other words, those who currently access the MX's market through DEA provided by an Approved Participant are able to maintain the current practice and in particular, are not required to become Approved Persons for the purposes of DEA.

## Regulatory Requirements

Participants, users and prospective users of the Montréal Exchange and their respective representatives are responsible for ensuring that they are acting in compliance with the applicable laws and/or regulatory requirements, in their home jurisdiction and in Canada, and should therefore seek their own legal advice when considering entering orders on the Montréal Exchange from Canada or outside of Canada. Among other considerations, Approved Participants seeking to register employees of their affiliated corporations or subsidiaries as their own Approved Persons with the Montréal Exchange should be mindful of the registration requirements this could trigger either in their home jurisdiction or in Canada. Registration requirements in Canada are enacted by the Canadian Securities Administrators in each province and registration as an investment dealer is granted for some provinces by the Investment Industry Regulatory Organization of Canada (IIROC). Approved Person status granted by the Montréal Exchange does not supersede or provide an exemption from other applicable registration requirements.

Montréal Exchange - Extended Hours website:

**[m-x.ca/yourtime](https://m-x.ca/yourtime)**

## Key Contacts - Interest Rate Derivatives

### Europe and Asia

#### DAVID HELPS

Head of International Business Development

**C** +44(0)7377 673 816  
david.helps@tmx.com

### North America

#### ROBERT TASCA

Director, Interest Rate Derivatives and Client Solutions Group

**T** +1 514 871-3501  
robert.tasca@tmx.com

#### ROBERT CATANI

Head of Institutional Sales, Interest Rate Derivatives

**T** +1 416 947-4319  
robert.catani@tmx.com

#### ROBERT DOMANKO

Head of Institutional Client Sales, Interest Rate and Equity Derivatives

**T** +1 514 787-6453  
robert.domanko@tmx.com

#### MARK GUNNIP

Senior Manager, Business Development, Interest Rate Derivatives

**T** +1 514 871-3502  
mark.gunnip@tmx.com

#### MARK BOURCIER

Senior Account Manager, Market Access, Client Solutions Group

**T** +1 514 871-3581  
mark.bourcier@tmx.com

#### KRISTINA MANN-KRZISNIK

Senior Analyst, Interest Rate Derivatives and Client Solutions Group

**T** +1 514 787-6514  
kristina.mann-krzisnik@tmx.com

#### RAPHAEL MOREAU

Analyst, Interest Rate Derivatives and Client Solutions Group

**T** +1 514 787-6574  
raphael.moreau@tmx.com

## Key Contacts - Index Derivatives

#### GLADYS KARAM

Director, Equity Derivatives

**T** +1 514 871-7880  
gladys.karam@tmx.com

#### RON HOCHMAN

Head of Institutional Sales, Equity Derivatives

**T** + 1 514 871-7882  
ron.hochman@tmx.com

## General Key Contacts

#### MARKET OPERATIONS DEPARTMENT

**T** +1 514 871-7871  
**T** +1 888 693-6366 (toll free)  
monitoring@tmx.com

#### TECHNICAL HELP DESK

**T** +1 514 871-7872  
**T** +1 877 588-8489 (toll free)  
samsupport@tmx.com



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