



MONTRÉAL EXCHANGE

FTSE Canada Bank Credit Index Futures (BCS): An innovative Index and Futures contract design



We present a summary of the Canada Credit Futures (BCS) product on Montréal Exchange along with use cases that highlight its significance as a valuable addition to Canada’s fixed income derivatives universe.

Basic Technical Info

Details of Index Construction

The new futures index contract is based on the new FTSE Canada Bank Credit Spread Index, which is itself a subset of the FTSE Canada Corporate Bond Universe. While this Universe contains around 1,000 different bonds, the Credit Spread Index includes only a small subset of around 20 financial corporate issues. This is achieved by taking a liquid representation of the Corporate Financial sector and eliminating bond issues that are less than \$1 billion in total notional, and those that exhibit non-standard bond provisions, such as securitization, sinking fund clauses, amortization of principal, etc. A second screen separates the remaining bonds into term and seniority buckets and then selects the most recent issues in each term bucket. Finally, the term buckets are weighted by Market Cap to ensure the Index is representative of the underlying Universe. The new Credit Spread Index, whose calculation methodology is described above, has a back-tested beta to the Corporate Universe exceeding 0.90, making it a strong proxy with comparable measures of return and volatility.

After the selection of corporate bonds is completed, each corporate bond is paired with the appropriate, similar-duration, market-value benchmark Government of Canada bond to create the “short” portion of this credit long-short index. A spread index is then calculated to represent the yield spread and credit risk premium of the underlying basket relative to benchmark government bonds. Essentially, FTSE publishes an index value that captures the yield differential between the Bank Bond and the GoCs. The index weighting is rebalanced monthly while the constituents are updated quarterly. More details on the FTSE Canada Bank Credit Spread Index’s construction methodology are available on the [FTSE website](#).

Details of Contract

As with all index futures products, the new credit futures are cash-settled. There will be four contracts each year with expiries in March, June, September, and December. The contract, quoted as a spread, has a multiplier of \$5,000 and a minimum tick of 0.005 per contract, giving the contract a tick value of \$25. An example of a typical trade and payout calculation is shown in Figure 1.

FIGURE 1

DATE	ACTION	FUTURES PRICE	IMPLIED CREDIT SPREAD (IN BPS)	DAILY P(L)	CUMULATIVE P(L)
May-3	Buy 25 contracts	99.225	77.5		
May-4	Hold	99.2375	76.25	\$1,563	
May-5	Hold	99.245	75.5	\$938	\$2,500
May-8	Hold	99.265	73.5	\$2,500	\$5,000
May-9	Hold	99.295	70.5	\$3,750	\$8,750
May-10	Hold	99.26	74	-\$4,375	\$4,375
May-11	Hold	99.265	73.5	\$625	\$5,000
May-12	Hold	99.255	74.5	-\$1,250	\$3,750
May-15	Sell 25 contracts	99.27	73	\$1,875	\$5,625

In Figure 1, a portfolio manager buys 25 contracts on May 3rd when the implied credit spread is 77.50 basis points. The expected credit spread of the underlying Index tightens to 70.50 before widening back to 73 on May 15th, when the manager closes out the trade. Since the spread decreased by 4.5 basis points (reflected in the increased Futures price), the manager has gained a profit of $25 \times 4.5 \times \$50$ or \$5,625.

Advantages of Futures

Futures contracts exhibit several characteristics that benefit many investors, both leveraged and non-leveraged. Below, we discuss each for the FTSE Canada Bank Credit Future.

Cost Benefits

The FTSE Canada Bank Credit Spread Index Futures is designed as a capital-efficient alternative to over-the-counter (OTC) products like the CDX North American Financials Index. While the CDX offers deep liquidity, it is an OTC derivative that typically requires high margin, International Swaps and Derivatives Association (ISDA) documentation, and incurs "two-tier" pricing where client transaction costs can be significantly higher than inter-dealer rates. In contrast, the FTSE Canada Bank Credit Spread Index provides a standardized, exchange-traded route to isolate Canadian bank credit risk.

FEATURE	FTSE CANADA BANK CREDIT SPREAD (BCS)	CDX NORTH AMERICAN FINANCIALS
Market Structure	Exchange-Traded (Montréal Exchange); transparent, central clearing.	OTC (Over-the-Counter); requires ISDA agreements and bilateral/CCP clearing.
Trading Costs	Low & Standardized; fixed tick sizes (0.5 bps = C\$25) and transparent fee schedules.	Variable; bid-ask spreads fluctuate; dealers often charge a premium for client trades.
Capital Efficiency	High; futures offer high leverage with standardized margin requirements.	Moderate; requires initial and variation margin, often with higher capital buffers
Precision	Pure Canadian Play; specifically targets the "Big Six" bank spreads as a reflection of Canadian Corporates.	Broad Regional Exposure; includes U.S., diluting specific CAD risk.

Short Positions

With credit futures, strategies that require short positions in credit bonds, such as spread widening positions, are much easier to finance. In fact, a simple purchase of the credit futures contract establishes a spread-widening position since the credit index is a spread index. Unlike the cash market, a derivatives market trade aimed at profiting from weakness in corporate bonds relative to risk-free rates can often be transacted with a single instrument. In the cash market, a spread-widening position requires selling a corporate bond that the manager may or may currently not own. If the manager does not own the bond, borrowing it in the securities lending market may (or may not!) be possible, depending on bank inventory and other asset managers' securities lending activities. Term borrowing may be available, but every bond borrower always faces the risk that extending the term or borrowing from another source may not be feasible at some point, forcing the manager to close out a spread-widening position on suboptimal dates. The new Canada Credit Futures product eliminates these financing risks.

Standardization & Anonymity

As with all futures contracts, every buyer and seller transacts at the same price¹, an advantage that small and mid-sized institutions rarely enjoy in OTC markets. Additionally, the contract's tick value remains constant and expiry dates are known in advance. This makes it much easier to calculate many aspects of a position compared to negotiated OTC derivative positions or even cash market transactions. Finally, with the exception of block trades, futures market execution is anonymous and efficient, making it appealing to all kinds of investors.

Low Cash Usage, Cost Efficient

As with all futures contracts, both buyers and sellers must post initial and maintenance margins on positions, although certain positions can benefit from significant netting effects. Typically, maintenance margin is equivalent to posting or receiving the daily P(L) on a position, while initial margin is related to the instrument's volatility. Futures margin generally represents a small percentage of notional value. Eventually, netting with other positions will provide even more capital outlay savings, especially for positions with a negative correlation to the Credit Futures contract.

Efficient Use of Capital

For some clients, the Credit Futures contract may become an important method to free up capital for other investments, especially when it is more difficult to invest with leverage through the concept of portable leverage. We use the term "portable leverage" to describe the idea that an investor who would normally deploy cash to get credit exposure may instead choose to substitute Credit Futures for difficult-to-finance corporate bonds and deploy the cash saved to other investments that are much more difficult or expensive to finance, such as venture capital or private investment projects.

Figure 2 illustrates this concept in a vastly simplified manner, where an asset manager with a 60/5/15/20 allocation across equities, government bonds, corporate bonds, and private investments is granted a mandate to apply 10% leverage to their fund. The original asset mix and cash usage is shown on the left, while the right side shows the new asset mix and cash allocation. Since the manager deemed the best returns would come from private capital investments, they increased that allocation. However, since those assets are more difficult and expensive to borrow against than other assets, the manager used Credit Futures (which could also have been equities) to gain 10% portfolio leverage. The cash saved by using credit futures instead of buying cash credit bonds is deployed into other private capital investments.

FIGURE 2

	NO LEVERAGE		LEVERAGE MANDATE	
	ALLOCATION	CASH ALLOCATION	ALLOCATION	CASH ALLOCATION
Equity	60%	60%	60%	60%
Government Bonds	5%	5%	5%	5%
Corporate Bonds/Credit Futures	15%	15%	15%	5%
Private Capital Investments	20%	20%	30%	30%
Total	100%	100%	110%	100%

¹ With the exception of block trades.

Price Discovery/Transparency

Even in today's era of instant, digitized information, cash bond markets in Canada remain frustratingly opaque for some. The daily calculation and timely publication of the new index, combined with the real-time price discovery of the futures contract on Montréal Exchange are likely to significantly enhance transparency for this market. Additionally, real-time trading data – the daily spread move – will add new information to a market lacking the transparency of other assets.

Case Studies

We examine two case studies below to demonstrate two ways clients may use credit futures.

Spread Widener / Hedge to Long Credit

A manager has a mandate to use modest amounts of Canadian corporate credit exposure to augment returns on a 5-year government benchmark and has accumulated some small positions in corporate bonds over time as opportunities arose. The positions, possibly part of a broader strategy, are shown in Figure 3 with some bond characteristics. However, the manager believes there is sufficient uncertainty in the prospects for corporate spreads that they want, probably temporarily, to neutralize or hedge the credit risk associated with these positions.

FIGURE 3

ISSUER	POSITION	COUPON	MATURITY	YEARS	PRICE	YIELD	POSITION DV01/CV01
Bank of Nova Scotia	12,000,000	1.80%	Nov 26, 2030	4.96	89.04	4.57%	4,945
Canadian Pacific	15,000,000	4.00%	Jun 13, 2032	6.51	100.14	4.04%	8,517
TransCanada Pipeline	10,000,000	2.97%	Jun 9, 2031	5.50	96.193	3.82%	4,807
Portfolio	37,000,000	3.20%		5.66		4.34%	18,269

In our hypothetical scenario, our manager would sell 365 contracts² of the credit futures contract in a simple transaction to hedge ONLY the credit risk of the position without incurring the expense of selling positions and rebuying them later to resume the strategy. The core duration risk is retained because the credit futures and the underlying index on which they are based are a spread product or a duration-neutral index.

Over time, assuming the spread of these cash bonds behaves similarly to the spread of the FTSE Canada Bank Credit Index³, a spread widening of a basis point in the portfolio (i.e. the positions lose money, as the manager expected) would correspond to a spread widening in the futures contract (meaning the hedge in futures gains a basis point for each basis point of spread widening). After some weeks or months, the manager might unwind the hedge to reestablish the original credit positions.

Spread Tightening / Synthetic Spread Exposure

A second potential use of the Credit Futures contract is for outright speculation on Canadian credit spreads without needing to trade multiple cash bonds or finance them in the securities lending markets. Additionally, this would create lower balance sheet costs for most clients.

² The BCS contract CS01 is \$50, thus ~365 contracts are needed to hedge a credit exposure of \$18,269.

³ The manager would test for this via some type of regression analysis and, presumably, implement some sort of weighting scheme if the positions behaved differently than the index.

A manager observes a long-term chart of the spread and concludes that, given current economic conditions, spreads are more likely to tighten (move to lower levels on the chart in Figure 4) over the next few months.

FIGURE 4
Credit Spread Index



Of course, an investor could always buy one or more corporate bonds while simultaneously selling government bonds with the same interest rate sensitivity to construct a spread-tightening trade, but doing this requires participation in the repo market, borrowing the bond to be sold, and probably financing the bond to be purchased. Without agreements in place with at least one Canadian bank with inventory in corporate bonds for lending, transacting the trade in cash markets might be difficult and expensive. Additionally, relying on a single bond issue exposes the investor to non-systematic risk, which they would eliminate by trading a portfolio of bonds.

FIGURE 5

DATE	ACTION	FUTURES PRICE (REPRESENTING A CREDIT SPREAD IN BASIS POINTS)	P(L)
3-May	Sell 500 contracts M25	97.50	
16-Jun	Buy 500 M25 contracts to roll	94.50	\$70,000
16-Jun	Sell 500 U25 contracts to roll	98.00	
16-Sept	Cash settle 500 contracts U25	91.50	\$162,500
		Total	\$237,500

DATE	ACTION	FUTURES PRICE	IMPLIED CREDIT SPREAD (IN BPS)	DAILY P(L)
Dec-3	Buy 500 Z25 contracts	99.025	97.50	
Dec-16	Sell 500 Z25 contracts to roll	99.055	94.50	\$75,000
Dec-16	Buy 500 H26 contracts to roll	99.015	98.50	
Mar-18	Cash settle 500 contracts H26	99.085	91.50	\$175,000
			Total	\$250,000

By buying 500 contracts, the investor takes on exactly \$25,000 of spread exposure (CS01) and will benefit from spread tightening in the future. In the example, the index spread is 94 on Dec 3rd, but the contract trades at a fair value of 99.025 (implied credit spread of 97.50). Later, on December 16th, the spot spread widens to 94.45, but the futures trades at a new fair value of 94.50 for the December (Z25) contract, and 98 for the March (M26) contract when the manager rolls the trade to the next active contract. Unlike physical bond futures, there is no risk of delivery, and the most liquid time to roll will likely be just prior to the settlement date, as with other index futures.

Finally, on June 18th, the manager closes out the trade when the spot spread tightens by a few basis points to 91.50 and collects the remaining P(L) for a total gain of \$237,500. Notably, the spot spread tightened by only 2.5 basis points, but the manager's gain exceeds \$75,000 due to positive carry – just as if the manager had taken a positive carry position in the cash market.

Convexity Discussion

As with the need to adjust the standard fair value in the Credit Spread index calculations above, potential users of the Credit Futures should be aware that constructing a spread index affects the convexity value of a corporate bonds portfolio. Since the index is a long/short portfolio of corporate bonds that is duration-neutral, the positive DV01 of corporate issues is offset by the negative DV01 of short positions. Similarly, any convexity of long corporate bond positions is nearly neutralized by short government bond positions. Importantly, the remaining contract has minimal convexity and, in fact, may be slightly negatively convex at times. This can occur because the coupon on corporate bonds is usually higher than that of the government bond used to hedge the DV01 risk. Since higher coupons result in lower convexity (*ceterus paribus*), the DV01 hedge may more than counter the convexity contained in the corporate bond. To be sure, positive or negative convexity is extremely small in this product and the CV01 value of the index will be very insensitive to the level of the index or spread.



Appendix: Fair Value of the Contract

We present a methodology for calculating the fair value of the FTSE Canada Bank Credit Index Futures contract. We expect this methodology could be modified to calculate intra-day values for the index and, consequently, the intra-day spreads at which the contract should trade to be considered fairly priced relative to the index constituents.

Calculating Fair Value

The proposed fair value model assumes that an investor should be indifferent between investing in a portfolio of individual bonds (and shorting their benchmark bond to create the spread) and investing in the futures contract. In this case, since the contract is cash-settled against an underlying Index that is difficult to replicate in the cash market, the model provides an indicative level and represents the theoretical value at which the Futures contract should be priced. However, investors are unlikely to find any executable arbitrage opportunities.

The model is an extension of the well-known cash-and-carry (bond basis) concept for deliverable bonds futures and considers the funding and carry costs associated with holding the underlying assets, which is a portfolio of long corporate bond and short government of Canada bond positions.

Generally, there are four steps required to determine a theoretical spread value:

1. Determine the forward price of each bond in the Index.
2. Calculate the forward yield for each of these forward bond prices.
3. Calculate the forward yield spread differential for each Bank bond (vs the corresponding benchmark).
4. Calculate the weighted average forward yield spread differential.

Reminder: Forward Prices

Investors will recall that the combination of two formulae results in the correct calculation of a forward bond price.

Forward Price = Bond Price (including accrued interest) - Carry

Carry = (Coupon Income - Financing)

Which results in:

Forward Price = [MV (D1/365) - C (D2/365)] * R + MV - (AI2 + C)

Where:

MV = Market value (dirty price) of the bond at purchase date

D1 = Days between bond purchase and delivery

D2 = Days between coupon receipt and the futures delivery

C = Interim Coupon received

R = Repo Rate

AI2 = Accrued interest on the bond at delivery

On July 6th, 2025 (settlement July 7th), we collected the price and bond details used to calculate the FTSE Canada Bank Credit Spread Index and, using the weights and prices provided by the Index provider, calculated the current spread for the index. That calculation is shown in Figure 1 and results in a spread of 83.6 basis points for that date, as shown in the far-right column.

FIGURE 1**Trade date: 06-Jul-25; Settlement Date: 07-Jul-25****CORPORATE BOND**

CUSIP	ISSUER NAME	PRICE	COUPON	ISSUE DATE	MATURITY DATE	ACCRUED INTEREST	YIELD TO WORST
63306AJM9	Nat Bank Of Canada	99.92681	3.308	04-Jun-25	15-Aug-27	0.299	3.3394%
89116CQ34	Toronto-Dominion Bk	100.22013	3.842	29-May-25	29-May-30	0.411	3.7916%
13607PG57	C.I.B.C.	99.87043	4.150	02-Apr-25	02-Apr-30	1.092	4.1792%
06418YXB9	Bank of Nova Scotia	99.64930	3.734	27-Mar-25	27-Jun-30	1.043	3.8081%
06369ZCL6	Bank of Montreal	99.68404	4.077	05-Mar-25	05-Mar-30	1.385	4.1511%
89116CMX2	Toronto-Dominion Bk	100.47356	4.231	31-Jan-25	01-Feb-30	1.820	4.1156%
779926HR8	Royal Bank Of Canada	100.82162	4.279	29-Jan-25	04-Feb-30	1.864	4.0797%
63309ZNN4	Nat Bank Of Canada	100.52384	4.260	13-Jan-25	15-Feb-30	2.042	4.1327%
779926FY5	Royal Bank Of Canada	100.65593	3.626	10-Dec-24	10-Dec-27	0.268	3.3415%
13607LF99	C.I.B.C.	100.40785	3.800	10-Dec-24	10-Dec-29	0.281	3.6975%
06418MX74	Bank of Nova Scotia	101.02128	3.807	18-Oct-24	15-Nov-27	0.553	3.3511%
779926DJ0	Royal Bank Of Canada	101.39047	4.000	17-Oct-24	17-Oct-29	0.888	3.6449%
06368L5G7	Bank of Montreal	102.95793	4.420	17-Jul-24	17-Jul-29	2.071	3.6092%
06418MQT4	Bank of Nova Scotia	103.46059	4.950	18-Jun-24	01-Aug-29	2.116	4.0188%
63306AHT6	Nat Bank Of Canada	105.02335	5.023	07-Dec-23	01-Feb-29	2.147	3.5124%
13607LSJ3	C.I.B.C.	102.51249	5.000	07-Dec-23	07-Dec-26	0.411	3.1721%
89117GX51	Toronto-Dominion Bk	106.07123	5.491	08-Sep-23	08-Sep-28	1.820	3.4516%
06369ZCJ1	Bank of Montreal	106.59510	6.034	07-Sep-23	07-Sep-28	2.017	3.8028%
06368LNK8	Bank of Montreal	104.39070	5.039	29-May-23	29-May-28	0.538	3.3883%
780086WK6	Royal Bank Of Canada	103.28413	5.010	31-Jan-23	01-Feb-28	2.141	3.6579%
06415GDJ6	Bank of Nova Scotia	100.82536	3.934	21-Mar-22	03-May-27	0.701	3.4608%
89117FPG8	Toronto-Dominion Bk	99.54414	3.060	25-Jun-19	26-Jan-27	1.358	3.3630%

BENCHMARK GOVERNMENT BOND

BENCH-MARK CUSIP	BENCH-MARK PRICE	BENCH-MARK COUPON	BENCH-MARK MATURITY	BENCH-MARK ACCRUED INTEREST	BENCH-MARK YIELD	MARKET WEIGHT	YIELD TO WORST SPREAD
135087T46	99.61019	2.500	01-Aug-27	1.068	2.694%	2.95729	64.5
135087S47	99.15691	2.750	01-Mar-30	0.964	2.945%	6.68078	84.7
135087S47	99.15691	2.750	01-Mar-30	0.964	2.945%	3.72376	123.4
135087K37	92.18667	1.250	01-Jun-30	0.123	2.975%	4.45660	83.3
135087S47	99.15691	2.750	01-Mar-30	0.964	2.945%	3.72771	120.6
135087R89	102.33242	3.500	01-Sep-29	1.227	2.899%	3.01830	121.7
135087R89	102.33242	3.500	01-Sep-29	1.227	2.899%	4.54480	118.1
135087R89	102.33242	3.500	01-Sep-29	1.227	2.899%	3.02635	123.4
135087N83	100.08177	2.750	01-Sep-27	0.964	2.710%	5.95579	63.2
135087R89	102.33242	3.500	01-Sep-29	1.227	2.899%	5.19917	79.9
135087N83	100.08177	2.750	01-Sep-27	0.964	2.710%	5.24487	64.1
135087R89	102.33242	3.500	01-Sep-29	1.227	2.899%	4.52677	74.6
135087Q98	103.93244	4.000	01-Mar-29	1.403	2.857%	6.19801	75.2
135087Q98	103.93244	4.000	01-Mar-29	1.403	2.857%	3.11516	116.2
135087Q49	101.32228	3.250	01-Sep-28	1.140	2.808%	4.74329	70.5
135087L93	98.11115	1.000	01-Sep-26	0.351	2.679%	3.79611	49.3
135087Q49	101.32228	3.250	01-Sep-28	1.140	2.808%	4.77521	64.4
135087Q49	101.32228	3.250	01-Sep-28	1.140	2.808%	3.68544	99.5
135087P57	101.91065	3.500	01-Mar-28	1.227	2.746%	6.19213	64.2
135087N83	100.08177	2.750	01-Sep-27	0.964	2.710%	4.58829	94.8
135087M84	97.70545	1.250	01-Mar-27	0.438	2.681%	4.97877	78.0
135087L93	98.11115	1.000	01-Sep-26	0.351	2.679%	4.86542	68.4
							83.6

We then calculated the forward price for each bond, and its government benchmark, in the index, and from those prices obtained the forward yields for each bond that comprises the index and the appropriate benchmark. To calculate the forward prices, we used a forward date of September 17th, 2025, the IMM deliverable date for the contract, and applied a term repo rate of 2.75%, which was the CORRA rate to that date on July 6th. The difference between the forward yields is the Forward Yield Spread (far right column in Figure 2). Using the same market weights as in Figure 1, we calculated a Forward Yield Spread for the Index of 90.5, a 6.9-basis-point yield pickup from spot.

FIGURE 2

Delivery Date: 17-Sep-25; Term Repo: 2.75%

CORPORATE BOND FORWARD

CUSIP	ISSUER NAME	FULL PRICE	DAYS BETWEEN PURCHASE & DELIVERY (D1)	NEXT COUPON DATE	INTERIM COUPON RECEIVED?	DAYS BETWEEN COUPON RECEIPT & DELIVERY (D2)	COUPON RECEIVED	ACCRUED INTEREST (DELIVERY)	FORWARD PRICE	FORWARD YIELD	FORWARD PICKUP TO SPOT (BASIS POINTS)
63306AJM9	Nat Bank Of Canada	100.226	72	15-Aug-25	Yes	33	0.653	0.299	99.816	3.407%	6.8
89116CQ34	Toronto-Dominion Bk	100.631	72	29-Nov-25	No	0	0.000	1.168	100.008	3.839%	4.7
13607PG57	C.I.B.C.	100.962	72	02-Oct-25	No	0	0.000	1.910	99.599	4.248%	6.8
06418YXB9	Bank of Nova Scotia	100.693	72	27-Dec-25	No	0	0.000	1.780	99.459	3.858%	5.0
06369ZCL6	Bank of Montreal	101.069	72	05-Sep-25	Yes	12	1.709	0.480	99.427	4.219%	6.8
89116CMX2	Toronto-Dominion Bk	102.293	72	01-Aug-25	Yes	47	2.110	0.545	100.186	4.183%	6.7
779926HR8	Royal Bank Of Canada	102.686	72	04-Aug-25	Yes	44	2.192	0.516	100.527	4.145%	6.5
63309ZNN4	Nat Bank Of Canada	102.566	72	15-Aug-25	Yes	33	2.498	0.385	100.234	4.201%	6.8
779926FY5	Royal Bank Of Canada	100.924	72	10-Dec-25	No	0	0.000	0.983	100.488	3.395%	5.3
13607LF99	C.I.B.C.	100.689	72	10-Dec-25	No	0	0.000	1.031	100.204	3.746%	4.9
06418MX74	Bank of Nova Scotia	101.574	72	15-Nov-25	No	0	0.000	1.304	100.821	3.407%	5.6
779926DJ0	Royal Bank Of Canada	102.278	72	17-Oct-25	No	0	0.000	1.677	101.156	3.692%	4.7
06368L5G7	Bank of Montreal	105.029	72	17-Jul-25	Yes	62	2.210	0.751	102.627	3.677%	6.8
06418MQT4	Bank of Nova Scotia	105.576	72	01-Aug-25	Yes	47	2.475	0.637	103.028	4.095%	7.6
63306AHT6	Nat Bank Of Canada	107.170	72	01-Aug-25	Yes	47	2.512	0.647	104.584	3.566%	5.4
13607LSJ3	C.I.B.C.	102.923	72	07-Dec-25	No	0	0.000	1.397	102.085	3.240%	6.8
89117GX51	Toronto-Dominion Bk	107.892	72	08-Sep-25	Yes	9	2.746	0.135	105.594	3.495%	4.3
06369ZCJ1	Bank of Montreal	108.612	72	07-Sep-25	Yes	10	3.017	0.165	106.017	3.871%	6.9
06368LNK8	Bank of Montreal	104.929	72	29-Nov-25	No	0	0.000	1.532	103.966	3.483%	9.5
780086WK6	Royal Bank Of Canada	105.425	72	01-Aug-25	Yes	47	2.505	0.645	102.838	3.746%	8.8
06415GDJ6	Bank of Nova Scotia	101.526	72	03-Nov-25	No	0	0.000	1.477	100.600	3.549%	8.8
89117FPG8	Toronto-Dominion Bk	100.902	72	26-Jul-25	Yes	53	1.530	0.444	99.469	3.462%	9.9

BENCHMARK BOND FORWARD

FULL PRICE	NEXT COUPON DATE	INTERIM COUPON RECEIVED?	DAYS BETWEEN COUPON RECEIPT & DELIVERY (D2)	COUPON RECEIVED	ACCRUED INTEREST (DELIVERY)	FORWARD PRICE	FORWARD YIELD	FORWARD PICKUP TO SPOT (BASIS POINTS)	FORWARD YIELD SPREAD
100.679	01-Aug-25	Yes	47	1.250	0.322	99.648	2.693%	-0.1	71.4
100.121	01-Sep-25	Yes	16	1.375	0.121	99.167	2.951%	0.6	88.8
100.121	01-Sep-25	Yes	16	1.375	0.121	99.167	2.951%	0.6	129.7
92.310	01-Dec-25	No	0	0.000	0.370	92.441	2.984%	0.9	87.4
100.121	01-Sep-25	Yes	16	1.375	0.121	99.167	2.951%	0.6	126.8
103.560	01-Sep-25	Yes	16	1.750	0.153	102.216	2.903%	0.4	128.0
103.560	01-Sep-25	Yes	16	1.750	0.153	102.216	2.903%	0.4	124.2
103.560	01-Sep-25	Yes	16	1.750	0.153	102.216	2.903%	0.4	129.8
101.046	01-Sep-25	Yes	16	1.375	0.121	100.097	2.698%	-1.1	69.7
103.560	01-Sep-25	Yes	16	1.750	0.153	102.216	2.903%	0.4	84.3
101.046	01-Sep-25	Yes	16	1.375	0.121	100.097	2.698%	-1.1	70.9
103.560	01-Sep-25	Yes	16	1.750	0.153	102.216	2.903%	0.4	78.9
105.335	01-Sep-25	Yes	16	2.000	0.175	103.729	2.859%	0.2	81.8
105.335	01-Sep-25	Yes	16	2.000	0.175	103.729	2.859%	0.2	123.6
102.462	01-Sep-25	Yes	16	1.625	0.142	101.248	2.807%	-0.1	76.0
98.462	01-Sep-25	Yes	16	0.500	0.044	98.452	2.651%	-2.9	59.0
102.462	01-Sep-25	Yes	16	1.625	0.142	101.248	2.807%	-0.1	68.8
102.462	01-Sep-25	Yes	16	1.625	0.142	101.248	2.807%	-0.1	106.5
103.138	01-Sep-25	Yes	16	1.750	0.153	101.792	2.740%	-0.6	74.3
101.046	01-Sep-25	Yes	16	1.375	0.121	100.097	2.698%	-1.1	104.8
98.144	01-Sep-25	Yes	16	0.625	0.055	97.996	2.662%	-1.9	88.6
98.462	01-Sep-25	Yes	16	0.500	0.044	98.452	2.651%	-2.9	81.2
									90.5

In this example, the Forward Yield Spread represents the yield spread that, if it were possible to trade the 22 corporate bonds and their benchmarks simultaneously and without transaction costs, would represent the fair value of the Index on September 17th, 2025, the delivery date of the futures contract. The contract's fair value would be just 100 – Forward Yield Spread or $100 - 90.5/100 = 99.095$. The contract would be considered hypothetically cheap relative to its fair value (a buy) if it traded below 99.095 and rich relative to fair value (a sell) if it traded above 99.095, keeping in mind that some bid/ask is necessary given the difficulty of trading the portfolio of index constituents.



Kevin Dribnenki writes about fixed income derivatives and opportunities in Canadian markets. He spent over 10 years managing fixed income relative value portfolios as a Portfolio Manager first at Ontario Teachers' Pension Plan and then BlueCrest Capital Management. During that time he managed domestic cash bond portfolios as well as international leveraged alpha portfolios and has presented at several fixed income and derivatives conferences. He received a BA in Economics from the University of Victoria, an MBA from the Richard Ivey School of Business, and holds the Chartered Financial Analyst designation.

For more information

irderivatives@tmx.com

m-x.ca/futures

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