

# Key Information Document

## Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## Product

**Product Name:** Call option contract on Government of Canada bond futures - American-style - buyer

**Product Manufacturer:** Bourse de Montréal Inc.

**Website:** [https://www.m-x.ca/accueil\\_en.php](https://www.m-x.ca/accueil_en.php)

**Call** +00 1 514-871-2424 for more information

**Competent authority responsible for the supervision of the Product Manufacturer in relation to this document:** not applicable (the Product Manufacturer is not regulated in the EEA)

**Date of publication:** 19 February 2018

**You are about to purchase a product that is not simple and may be difficult to understand.**

## What is this product?

### Type

This product is an exchange-traded option contract, governed by the laws of Canada. This product is listed and traded on the Bourse de Montréal's trading platform via its central limit order book (CLOB). Once a transaction is executed, it is novated to the Canadian Derivatives Clearing Corporation ("**CDCC**"), which acts as the issuer, clearinghouse and guarantor of all exchange-traded derivatives products traded on the Bourse de Montréal Inc.

### Objectives

The objective of the product is either to hedge your exposure to changes in interest rates or to seek a return on the product depending on your view of future interest rates. The product achieves this by offering you the right to purchase one Government of Canada bond futures contract, as identified in the option contract (the "**underlying**") at a fixed price on or before a specified date in the future.

To purchase an option you will pay the option premium quoted at the time of purchase scaled by a factor of CAD\$ 10 to account for the value of one point or a half-point (as specified in the contract specifications of the underlying) and further scaled by a factor of 100 to account for the pricing quotation. The option premium will depend upon multiple factors including, but not limited to, the Strike Price of the option relative to the market price of the underlying, the volatility of the underlying, interest rates and the time until expiry.

For each option that you hold, you will have the right, but not the obligation, to exercise the option on any business day on or before the Expiry Date and purchase the underlying at the Strike Price. Settlement will occur on the first business day following the day on which the option is exercised. If the option is exercised, your return will depend on the amount by which the market value of the underlying exceeds the amount paid for the underlying (at the Strike Price). The return will be positive if such difference is greater than the option premium paid. If you do not exercise the option before the Expiry Date, it will be automatically exercised on the Expiry Date if the market value of the underlying is greater than the Strike Price ("**in-the-money**"); if the option is not in-the-money on the Expiry Date the product will not be exercised automatically and will expire worthless. You may close-out your position on any day prior to exercise at the market value of the option premium, in the manner described below in "How long should I hold it and can I take money out early?".

In the event of certain extraordinary circumstances, such as those resulting in the market ceasing to function correctly, the Product Manufacturer may terminate the product or make adjustments to the terms of the product.

**"Expiry Date":** the third Friday of the month preceding the month specified in the option contract, provided however, that such Friday is a business day and that it precedes, by at least two business days, the first notice day of the underlying. If it is not a business day, the Expiry Date will be the first preceding business day.

**"Strike Price":** the strike price of the underlying as specified in the option contract.

### Intended Retail Investor

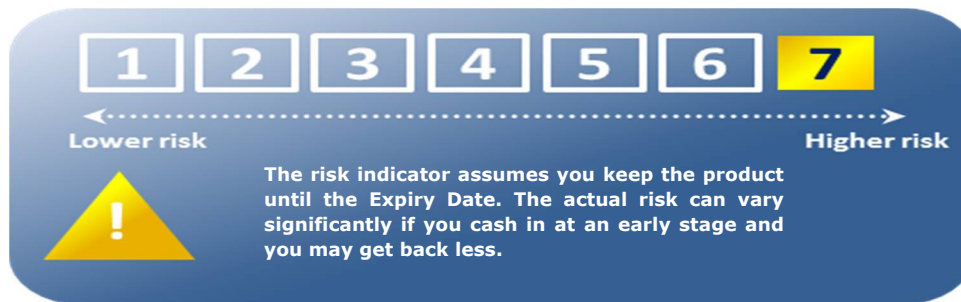
The product is intended to be offered to investors who:

- i) have an investment horizon up to the Expiry Date;
- ii) are able to bear a total loss of the amount invested;
- iii) have extensive knowledge of, and experience with, financial products and the financial markets generally;
- iv) are seeking a leveraged return profile; and
- v) if located in the EEA, are in a country for which English is an official language.

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## What are the risks and what could I get in return?

### Risk Indicator

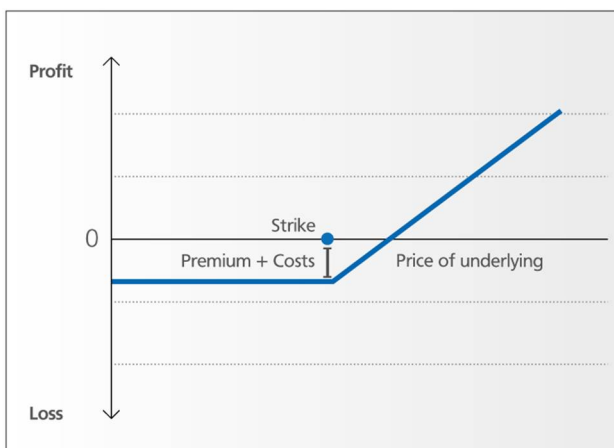


The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the market or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

**Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.**

During the time between exercise and delivery, the value of the underlying may change substantially. This product does not include any protection from future market performance so you could lose some or all of your investment. If CDCC, your broker (or any other intermediary) is unable to pay you what is owed, you could lose your entire investment.

### Performance Scenarios



This graph illustrates how your investment could perform. You can compare them with the pay-off graphs of other derivatives. The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the Expiry Date and the vertical axis shows the profit or loss.

Buying this product holds that you think the underlying price will increase.

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

## What happens if The Montréal Exchange (MX) is unable to pay out?

All transactions that are submitted to CDCC are registered in the name of the clearing members. Upon acceptance of the transaction, novation occurs and the initial transaction is replaced by two different transactions between CDCC and each clearing member involved in the transaction. Each clearing member looks to CDCC for the performance of the obligations under a transaction and not to another clearing member. Each client of a clearing member looks solely to the clearing member for performance of the obligations and not to CDCC.

You are therefore exposed to a default of the clearing member with whom you deal: if such clearing member fails or is otherwise unable to pay its obligations under the product, you may not receive any amount owed to you under the product and any payment that you do receive may be delayed. The product is not covered by an investor compensation or guarantee scheme.

### What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the performance of the product. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself. They include potential early exit penalties. The figures assume you invest CAD\$ 15,000<sup>1</sup>. The figures are estimates and may change in the future.

<sup>1</sup> For the purposes of the cost calculations, it is assumed that the option premium is CAD\$ 1,796 for an option on a Ten-year Government of Canada bond futures contract. A lower assumed option premium would result in higher cost values.

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## Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

<b>Investment CAD\$ 15,000 Scenarios.</b>	<b>If you cash in at the end of the recommended holding period<sup>2</sup></b>
<b>Total costs</b>	CAD\$ 12.29
Impact on return (RIY) per year	0.33%

## Composition of costs

The table below shows:

- the impact each year of the different types of costs on the performance of the product at the end of the recommended holding period;
- the meaning of the different cost categories.

This table shows the impact on return per year			
One-off costs	Entry costs	0.17%	The impact of the costs you pay when entering your investment.
	Exit costs	0.17%	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	N/A	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	0.00%	The impact of the costs that we take each year for managing your investments.

## How long should I hold it and can I take money out early?

**Recommended holding period: any period up to the Expiry Date**

There is no minimum holding period and you may exercise the product on any business day on or before the Expiry Date or, alternatively, disinvest (i.e. close-out your position) at any time during trading hours of the platform on or before the last trading day for the product as stated in the option contract, by selling the offsetting option (being the option offered by the Product Manufacturer which has identical terms save for being the version designated 'seller' rather than 'buyer'). For this reason there is no single recommended holding period, and instead it includes the range of periods up to the Expiry Date of the product.

## How can I complain?

Any complaints about the product or the conduct of the Product Manufacturer or the person advising on, or selling, the product may be submitted by visiting the website [www.m-x.ca/accueil\\_contact\\_en.php](http://www.m-x.ca/accueil_contact_en.php), by writing to Legal Affairs, Bourse de Montréal Inc., Tour de la Bourse, P.O. Box 61, 800 Victoria Square, Montréal, Quebec, H4Z 1A9 or by emailing [legal@tmx.com](mailto:legal@tmx.com).

## Other relevant information

Further information relating to the terms of the product may be found at: [https://m-x.ca/produits\\_taux\\_int\\_oqb\\_en.php](https://m-x.ca/produits_taux_int_oqb_en.php)

Information relating to the underlying may be found at:

[https://m-x.ca/produits\\_taux\\_int\\_cqb\\_en.php](https://m-x.ca/produits_taux_int_cqb_en.php)

[https://m-x.ca/produits\\_taux\\_int\\_cgz\\_en.php](https://m-x.ca/produits_taux_int_cgz_en.php)

[https://m-x.ca/produits\\_taux\\_int\\_cgf\\_en.php](https://m-x.ca/produits_taux_int_cgf_en.php)

[https://m-x.ca/produits\\_taux\\_int\\_lgb\\_en.php](https://m-x.ca/produits_taux_int_lgb_en.php)

<sup>2</sup> For the purposes of the cost calculations, a recommended holding period of 90 days has been assumed. A shorter assumed holding period would result in a higher RIY.