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CIRCULAR 051-15
May 13, 2015

REQUEST FOR COMMENTS

INTRODUCTION OF MULTIPLE WEEKLY OPTIONS EXPIRIES AND

AMENDMENTS TO ARTICLE 6637 OF RULE SIX OF BOURSE DE MONTREAL INC.

The Rules and Policies Committee of Bourse de Montréal Inc. (the "**Bourse**") has approved amendments to article 6637 of Rule Six of the Bourse in order to introduce multiple weekly options expiries.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of this notice, at the latest on **June 15, 2015**. Please submit your comments to:

Me Sabia Chicoine
Legal Counsel, Legal Affairs, Derivatives
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Québec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the "**Autorité**") to:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

Appendices

For your information, you will find in the appendices an analysis of the proposed amendments as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules and Procedures. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

INTRODUCTION OF MULTIPLE WEEKLY OPTIONS EXPIRIES AND

AMENDMENTS TO ARTICLE 6637 OF RULE SIX OF BOURSE DE MONTREAL INC.

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I. SUMMARY

In December 2014, Bourse de Montréal Inc. (the “Bourse”) successfully launched a weekly options pilot program by listing weekly options on 10 Canadian underlying securities. This pilot program is soon coming to an end and the Bourse intends to make this program permanent, subject to the approval of the Autorité des marches financiers.

Considering the results of the pilot program and for the reasons detailed herein, the Bourse hereby proposes to introduce the listing of multiple weekly options expiries, which are listed some weeks prior to their expiration and have maturities that extend forward several weeks. The Bourse wishes to adopt this listing procedure in order to meet the investment and risk management needs of the market participant’s retail and institutional clients; to remain competitive with other exchanges; and to avoid the divergence of Canadian trading activity towards US option exchanges that list these Canadian options and are already supporting this expiry schedule.

To allow for the listing of multiple weekly options expiries, the Bourse proposes to amend article 6637 b) of the Rules of the Bourse in order to expand the definition of weekly option expiration dates to account for the listing of multiple weekly options expiries.

II. ANALYSIS

a. Background

a.1. Options’ Market Until the Development of Weekly Options

By using standard monthly options, market participants were able to implement investment and risk management strategies with time horizons that usually exceeded one month. The only opportunities to implement strategies with shorter time horizons were given by the front month options – the monthly options that were first on the calendar to expire. However, even in such circumstances, these shorter maturity options were available only once every month and had a fixed maturity, thereby substantially reducing the investment and risk management opportunities.

a.2. The Introduction of Weekly Options

In order to perfect their investment and risk management strategies, market participants required more cost effective instruments with optimal time horizons.

With events potentially affecting the whole market, or individual stocks, occurring at any moment, market participants needed to adjust their positions and trade very short term options on a regular basis, not only once a month. The tool that offered them such flexibility were weekly options. Weekly options, at the Bourse, are options that listed every Thursday at the market open (except for the Thursday where contract expiration would correspond to the 3rd Friday of the month at which monthly options expire) and that expire on the Friday of the following week.

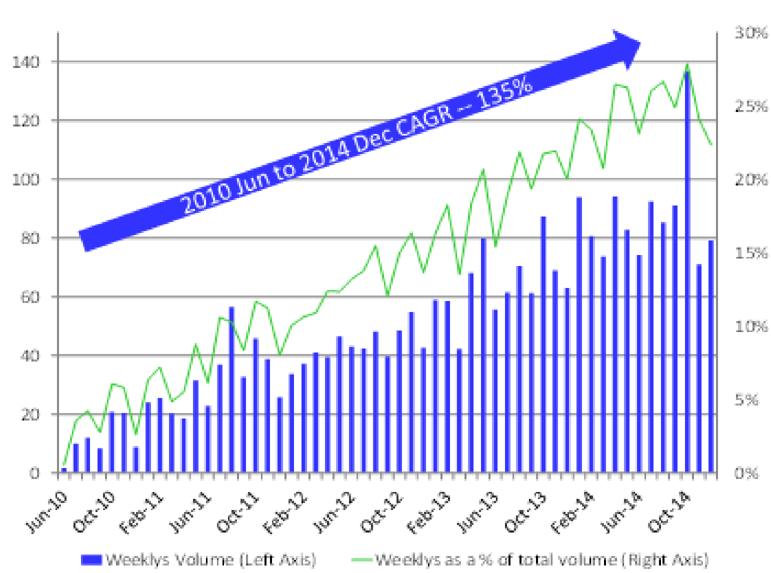
As a result, the option expiration calendar changed from one expiration every month (the expiration of the monthly options on the third Friday of each month), to one expiration every week (expiration of a monthly or a weekly option on the Friday of every week).

It should be noted that the terms "weekly" and "monthly" used by market participants when describing these options have more to do with the frequency of the expiries rather than with the lifespan of the options.

Just like "monthly options" is the name used in the industry to designate series of options that have one expiry date every month but are listed well in advance and have a lifespan ranging from a few months to many months. "Quarterly options" have one expiry every quarter but, when listed, have a lifespan of many quarters. Therefore, "weekly options" is the term used in the industry to designate series of options that have one expiry every week but can have a lifespan of more than one week.

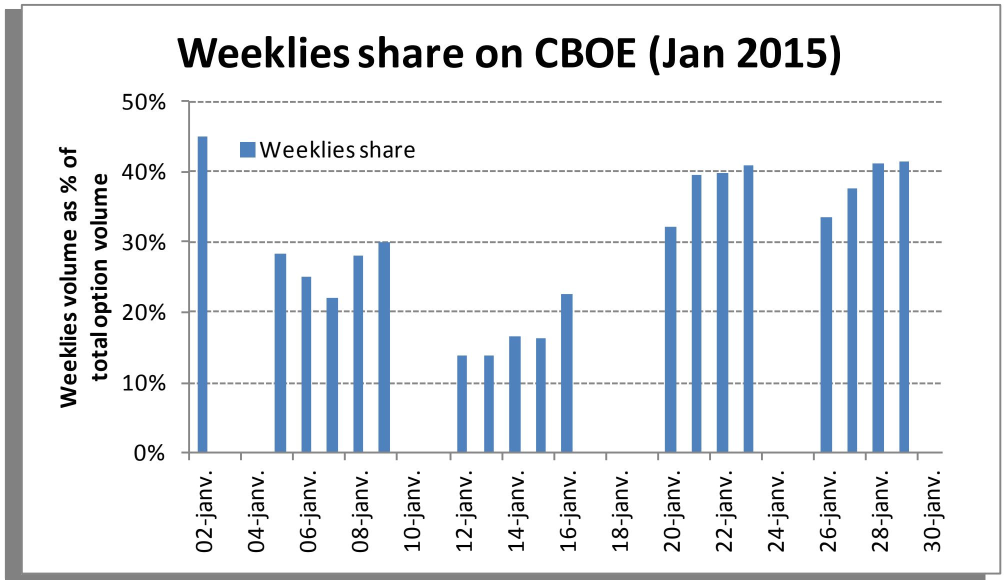
a.3. Development of Weekly Options on US Markets

According to industry experts from Tabb Group, weekly options have represented the growth engine of the options market in 2014. While the overall US options volume grew by close to 4% in 2014 vs. 2013, weekly options volume grew by 36% over the same period (see graph below[1]).



Recent statistics published for the month of January 2015 by CBOE[2] – the biggest US options exchange – demonstrates that the growth in weekly options' volume continues on the same trajectory.

[1] Tabb Group: US Options Market Review: Fourth quarter 2014, http://www.tabbgroup.com/PublicationDetail.aspx?PublicationID=1623&MenuID=34&ParentMenuID=30&PageID=32 viewed on April 10, 2015.



Utilization of weekly options seems fairly similar across various option sub-groups: as detailed statistics from the CBOE show[3], the weight of SPX weekly options volumes to total SPX option is similar to the same ratio published by the Tabb Group for the overall options market (shown above).

a.4. Development of Weekly Options in Canada

As mentioned, in December 2014, the Bourse successfully launched a weekly options pilot program by listing one weekly expiry at a time for equity and exchange-traded fund (ETF) options on 10 Canadian underlying securities.

Since the introduction of these weekly options and as of April 10, 2015, daily volume has averaged 1 273 weekly options contracts per day, with weekly options representing 1.3% of the total options (equity and ETF) volume. Taking into consideration that currently the Bourse may only list weekly options on 10 underlying securities for one week at a time, it can be deduced that this statistic would greatly increase with listing multiple expiries.

a.5. Weekly Options: Functioning

The weekly options that are currently approved for listing on the Bourse, as part of the pilot program to be made permanent, have a maturity of one week and have been listed on the Thursday of the week preceding their expiry day.

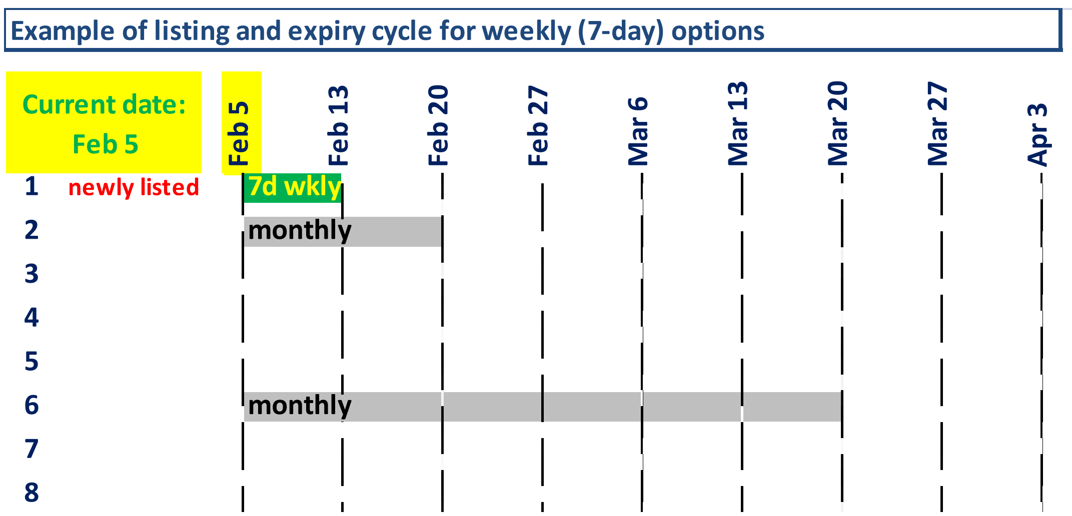
In order to facilitate their understanding, we present a graphical example below (assuming the current weekly options program started on Thursday, February 5, 2015) and show what is listed:

[2] CBOE, http://www.cboe.com/data/mktstatall.aspx?Dy=9&Mo=4&Yr=2015, viewed on Jan 30, 2015.
[3] Idem.

i. during the first week of the program;
ii. during any of the following weeks.

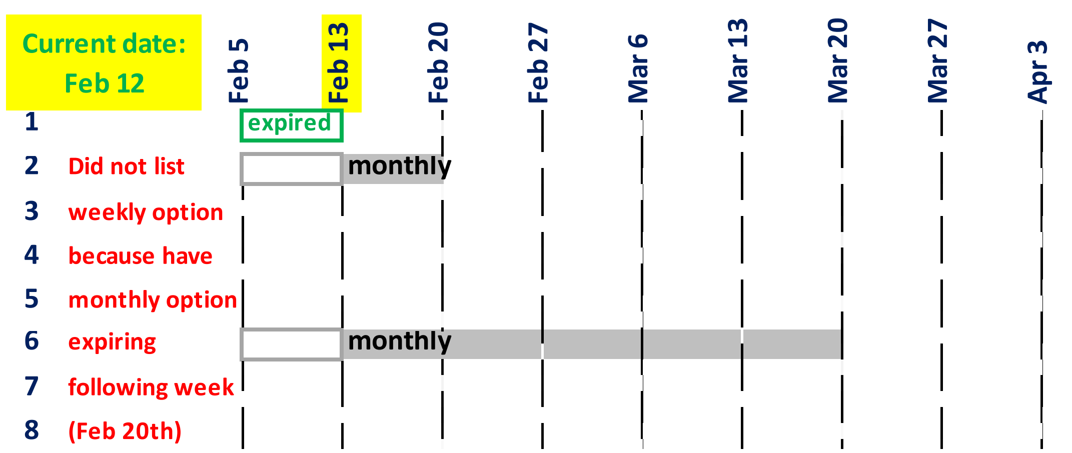
➢ The first week of the program:

Given that on Friday 13, 2015 there were no monthly options scheduled to expire, on Thursday February 5, 2015, the Bourse listed series of options expiring the following Friday (seven days after listing) which is Friday February 13, 2015;

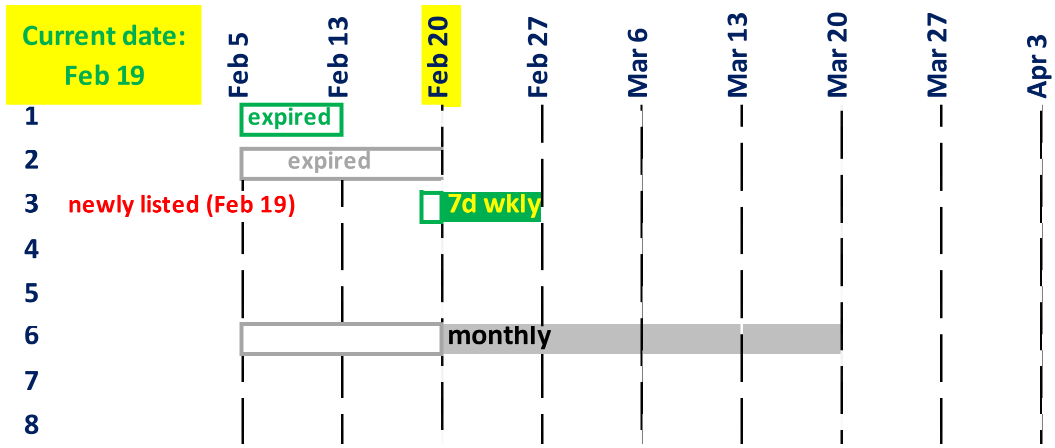


➢ The following weeks of the program:

The following Thursday February 12, 2015, the Bourse did not list any weekly options due to the fact that there already existed series of options – in this case monthly options – that were coming to expiry the following Friday February 20, 2015.



On Thursday February 19, given that there were no options scheduled to expire the following Friday February 27, 2015, the Bourse was able to list new series of weekly options expiring on Friday February 27.



a.6. Evolution in the Options Environment

The introduction of weekly options has covered the very short-term end of the option maturities spectrum, by offering adequate investment and risk management tools on a regular basis.

However, the same reasons that brought weekly options – cost effectiveness and optimal time horizon – have shown that the market granularity can be further improved to the market participants' benefit.

b. Description and Analysis of Market Impacts

b.1. Multiple Weekly Options Expiries: Rationale for Change

Multiple weekly options expiries are designed to customize a strategy's time horizon but also introduce three additional advantages compared to the current weekly options listing procedure:

i. the possibility to eliminate the risk of roll (the fluctuation in option premiums) over the strategy's time horizon;
ii. more advantageous option premiums over the strategy's time horizon;
iii. lower broker commissions paid over the strategy's time horizon.

Risk of Roll

Market participants with investment horizons longer than one week incur a significant risk of roll. The risk of roll materializes when a market participant with an investment (or hedging) horizon of more than one week who uses weekly options with 7-day maturities needs to roll his option position every week over his strategy horizon.

For an *option buyer*, the risk of roll implies that, if market volatility increases, the option buyer pays increasingly higher premiums every time the option position is rolled.

For an *option writer*, the risk of roll implies that, if market volatility drops, the option writer receives increasingly lower premiums every time the option position is rolled.

By using multiple weekly options expiries, the same market participant is able to lock-in the option premium over the entire investment (or hedging) horizon, thereby eliminating the risk of roll.

More Advantageous Option Premiums

The risk of roll is not the only concern of an option user. Even if an investor assumes a constant volatility (and therefore assumes no risk of roll), he would still want to optimize the premium paid on his option(s) position(s) over the investment horizon.

An option's premium depends, among other variables, on the time to maturity of the option. However, it should be noted that the dependence is roughly proportional to the square root of the time to maturity of the option.

For example, if one assumes ***constant volatility***, the premium of a 14-day option would be approximately 30% cheaper compared to the sum of the premiums of two consecutive 7-day options. Similarly, the premium of a 28-day option would be approximately 50% cheaper compared to the sum of the premiums of four consecutive 7-day options.

As a result, an option buyer with an investment horizon of more than one week will benefit from more choices of option maturities in order to optimize (minimize) the option premium required for his strategy.

Lower Broker Commissions

The multiple weekly options expiries allow market participants to minimize the number of times they have to roll their positions, therefore minimizing the number of trades and broker commissions paid.

b.2 Multiple Weekly Options Expiries: Functioning

Weekly options with multiple expiries are listed several weeks prior to their expiration and have maturities that extend forward several weeks.

In order to continue the comparison with the current weekly options, we present the same hypothetical example of the program starting on February 5, 2015 and will show what is listed:

i. during the first week of the program;
ii. during any of the following weeks.

➢ The first week of the program:

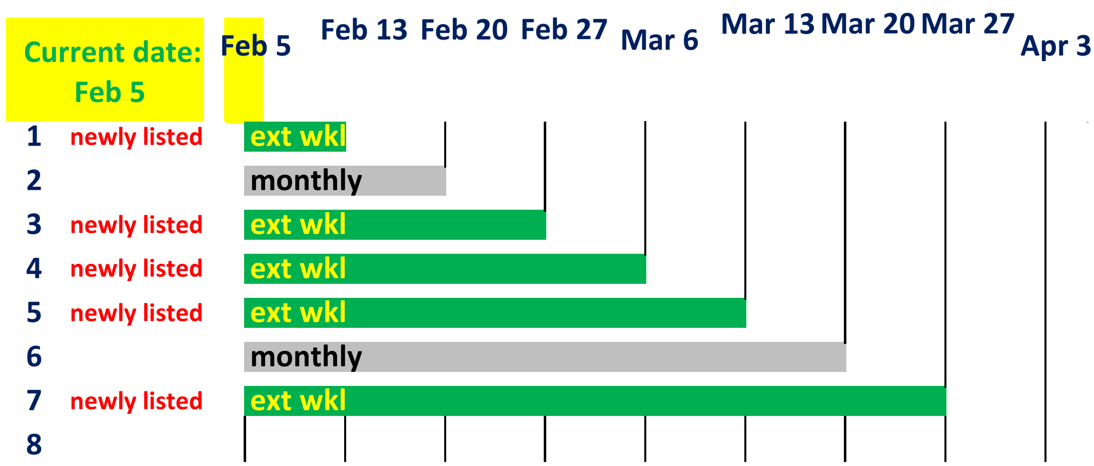
Under the multiple weekly options expiries program, on the first week of the program the Bourse identifies the next five Fridays where the standard monthly options do not expire.

Given that the monthly options already listed will expire on February 20, 2015 and March 20, 2015, the Bourse will identify the next five "Fridays without monthly expiries" as being:

- February 13;
- February 27;
- March 6;
- March 13;
- March 27.

Therefore, on February 5, 2015, the Bourse will list several series of options with expiries on February 13, February 27, March 6, March 13 and March 27.

Example of listing and expiry cycle for multiple weekly options expiries



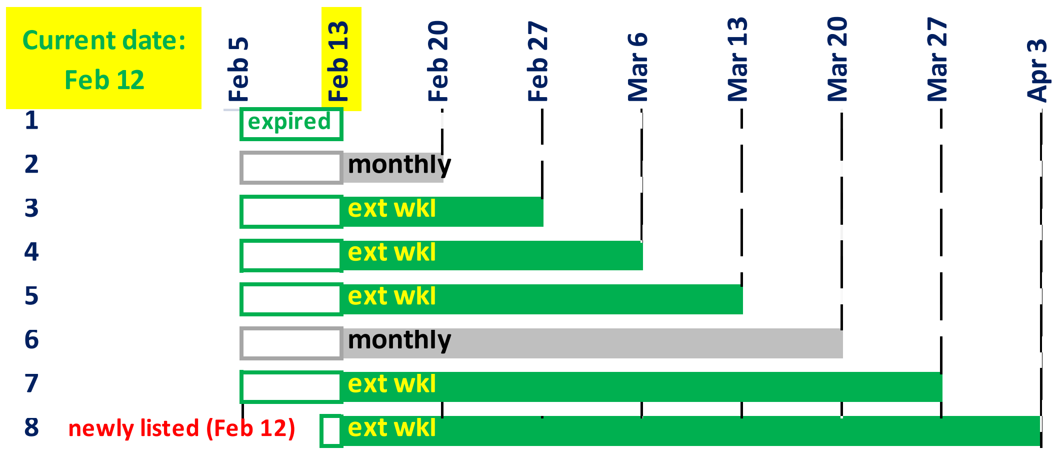
➢ The following weeks of the program:

Under the multiple weekly options expiries program, the Bourse's goal is to have listed, at any time, weekly options series with five different maturities, as is the case on US exchanges. On Thursday February 12, 2015:

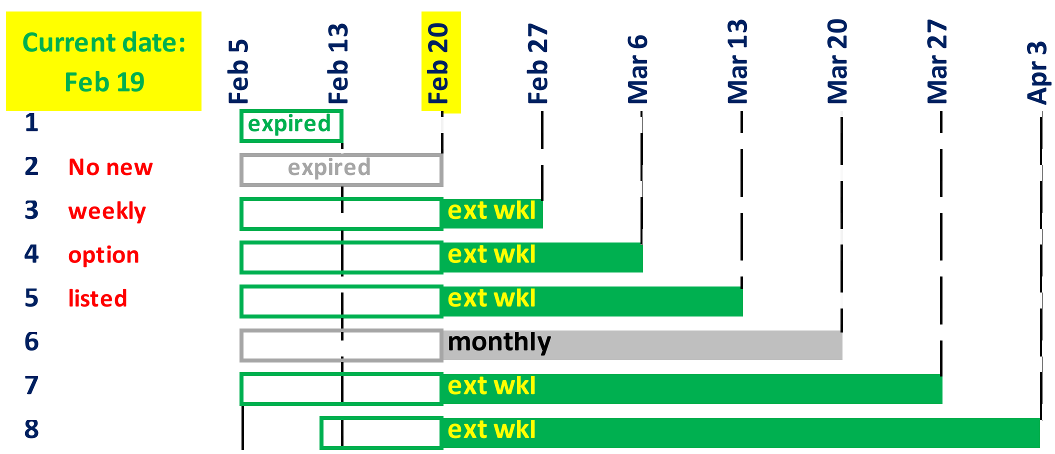
- already listed on the Bourse, are weekly options with four different maturities (February 20, March 6, March 13 and March 27);

- the Bourse identifies April 3, 2015 as the next Friday where standard monthly options do not expire.

Therefore, on Thursday February 12, the Bourse will list only one series of multiple weekly options expiries expiring on Friday April 3, 2015.



On Thursday February 19, given that there are already five series of options with multiple expiries (the ones expiring on February 27, March 6, March 13, March 27 and April 3), the Bourse will not list any new weekly options.



b.3. Multiple Weekly Options Expiries: Impact on Market

Number of New Series Listed

- The first week of the program:

The main difference between the current weekly options and multiple weekly options expiries is found in the first week of the program: whereas under the current weekly options program the Bourse lists series of options with only one expiry, under the multiple weekly options expiries program the Bourse will list series of options with five expiries.

- The following weeks of the program:

During any of the following weeks of the program, in terms of new series listed, there will be **no difference** between the current weekly options and multiple weekly options expiries as, every week, the Bourse will list one new expiry of weekly options, as it would have listed under the current weekly options program.

Number of New Series Outstanding

- The first week and the following weeks of the program:

Under the multiple weekly options expiries program, there will be, on any day, roughly five times more series outstanding on the market as under the current weekly options program.

c. Comparative Analysis

<u>European Markets</u>

In Europe, our analysis found multiple expiries on weekly options listed only on Eurex. Eurex lists weekly options on four maturities, namely the first, second, fourth and fifth Friday of a calendar month (with the standard monthly options expiring on the third Friday of the month). On the expiration day of the 1st Friday weekly options, for a then current month, the next month's 1st Friday weekly options are listed. This makes all weekly expirations of each month always simultaneously available, so that the total lifespan of each expiry is 4 -5 weeks. The 5th Friday options have an even longer lifespan, because not every month has a 5th Friday[4].

[4] Eurex Asia, Product of the month: The ongoing success story of the weekly options, http://www.eurexchange.asia/asia-01/education/underlying-of-the-month/Product-of-the-month--The-ongoing-success-story-of-weekly-options/1165012, viewed on April 13, 2015.

It should be noted that there are no options on Canadian underlying securities listed on Eurex. Given that Canadian investors are enticed to use US-listed options for Canadian underlying securities, we have focused our comparative analysis on the US exchanges.

Multiple Weekly Options Expiries - Already Approved and Listed in the U.S.

Weekly options were launched by the CBOE in 2005[5]. Since late 2012 – early 2013 all major US options exchanges (the major ones – totalling almost 90% of the options' volume - being CBOE, ISE, PHLX, AMEX, ARCA, while the small ones are NASDAQ, BOX, BATS, CX, C2, MIAX and GEMINI) received the U.S. Securities and Exchange Commission ("SEC") approval to list multiple weekly options expiries.

It is worth noting that the US exchanges' regulatory approval requests[6] for listing multiple weekly options revolved around two major themes: the intrinsic requirement of each exchange to add multiple weekly options expiries to their range of derivatives instruments to meet increased customer demand and offer increased hedging opportunities and the competitive requirement of each exchange to compete with its peers.

Intrinsic Requirement for Multiple Expiries

All requests to the SEC by the major US options exchanges revolved around the need to:

"… Allow … to list options in the Weeklys Program ("Weekly options") on each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series expire ("Short Term Option Expiration Dates") at one time." [Quoted from CBOE's filing[7]; all other exchanges had substantially identical language]

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[5] Idem.

[6] See SEC Notices : BATS: https://www.federalregister.gov/articles/2013/02/13/2013-03304/self-regulatory-organizations-bats-exchange-inc-notice-of-filing-and-immediate-effectiveness-of-a;
BOX: https://www.federalregister.gov/articles/2012/12/11/2012-29856/self-regulatory-organizations-box-options-exchange-llc-notice-of-filing-and-immediate-effectiveness;
CBOE: https://www.federalregister.gov/articles/2013/12/11/2013-29551/self-regulatory-organizations-chicago-board-options-exchange-incorporated-order-granting-approval-of; and
https://www.federalregister.gov/articles/2013/10/22/2013-24676/self-regulatory-organizations-chicago-board-options-exchange-incorporated-notice-of-filing-of-a;
MIAX: https://www.federalregister.gov/articles/2013/06/04/2013-13146/self-regulatory-organizations-miami-international-securities-exchange-llc-notice-of-filing-and;
ISE: https://www.federalregister.gov/articles/2012/12/05/2012-29313/self-regulatory-organizations-international-securities-exchange-llc-notice-of-filing-and-immediate;
NYSE ARCA: https://www.federalregister.gov/articles/2014/03/25/2014-06463/self-regulatory-organizations-nyse-arca-inc-notice-of-filing-and-immediate-effectiveness-of-proposed.
All viewed on April 8, 2015.

[7] Idem.

Competitive Requirement

The common consideration invoked by all major US options exchanges in their filings with the SEC was not only the development of their own instrument range but also the need to match the options offered by their competitors. Each exchange requested the flexibility to list the same option classes in its respective weekly options programs as listed by the other exchanges in their program, resulting in all exchanges having the possibility to offer substantially all the same option classes in their weekly options programs.

Development of the Multiple Weekly Options Expiries in the US

Where available, detailed information published by US options exchanges shows that practically all weekly options are currently listed with multiple expiries.

CBOE
As of April 2015, the CBOE lists weekly options on 399 underlying securities - equities, ETFs and major indices – and multiple weekly options on the vast majority (398 out of the 399)[8].

AMEX
As of April 2015, all 399 weekly options listed on AMEX equities, ETFs and major indices are with multiple expiries[9].

ARCA
As of April 2015, all 397 weekly options listed on ARCA equities, ETFs and major indices are with multiple expiries[10].

Multiple Weekly Options Expiries Listed on Canadian Underlying Securities[11] on US Options Exchanges

US options exchange	**Weekly options on Canadian underlyings**	
	Total number	**Multiple expiries as % of Total number**
CBOE	**13**	**100%**
AMEX	**13**	**100%**
ARCA	**14**	**100%**

[8] CBOE, http://www.cboe.com/micro/weeklys/availableweeklys.aspx, viewed on April 8, 2015.
[9] AMEX, https://www.nyse.com/products/options, viewed on April 8, 2015.
[10] ARCA, https://www.nyse.com/products/options, viewed on April 8, 2015.
[11] Supra notes 6, 7 et 8.

d. Proposed Amendments

The Bourse proposes to amend article 6637 regarding the expiration date of existing weekly options to allow for the listing of multiple weekly options expiries. More specifically, the Bourse proposes to replace the last two paragraphs of article 6637 b), which currently reads:

> *"In the case of weekly equity and exchange-traded fund options, the expiration date shall correspond to the last trading day, which is the Friday of the week following the listing or, if it is not a business day, the first preceding business day.*
>
> *In the case of weekly index options, the expiration date shall correspond to the day following the last trading day, which is the Thursday of the week following the listing or, if it is not a business day, the first preceding business day."*

With the following paragraph:

> *" In the case of weekly index, equity and exchange-traded fund options, the expiration date shall be any of the five Fridays following the listing week which is a business day, but which is not an expiration day for any other options already listed on the same underlying. If any such Friday is not a business day, then the expiration date will be the first preceding business day that is not an expiration day for any other options already listed on the same underlying."*

III. AMENDMENT PROCESS

As detailed in the background section above, the evolution of the options environment has shown that as they continue perfecting their investment and risk management strategies, market participants need more cost effective instruments with optimal time horizons. The Bourse's experience with the weekly options pilot program shows that the needs of the Bourse's market participants are consistent with the international trend. To address these needs, the Bourse is proposing to list its weekly options based on a multiple expiry schedule.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

The proposed changes will have no impact on the Bourse's technological systems, approved participants or other market participants. However, there will be an impact on the number of series listed and outstanding at a time, but the Bourse has the necessary resources to handle the increased number of series listed and outstanding.

In terms of number of series, the increase due to the listing of multiple weekly options expiries can be separated into:

First Week of the Program:

A one-time increase when introducing the multiple weekly options expiries program.

Following Weeks of the Program:

Moderate increase in number of strikes. The increase in number of strikes (under the multiple weekly options expiries program compared to the current weekly options program) is due only to the addition of new strikes on the series already listed.

A simulation of listing multiple weekly options expiries (four maturities in addition to the current one 7-day maturity) performed on Bourse's listings of 7-day weekly options (10 underlying securities) showed that, for the ten weekly option classes currently listed by the Bourse, the number of option series would increase by approximately 40% (from 338 series to 490 series).

This would represent less than two percent of the total equity and ETF options of 29,000 series.

V. OBJECTIVES OF THE PROPOSED ADMENDMENTS

As explained herein, the Bourse proposes to list its weekly options based on a multiple expiry schedule in order to meet the needs of the market's retail and institutional clients, to remain competitive with other exchanges, and to avoid the divergence of Canadian trading activity toward US option exchanges that are already supporting this expiry schedule.

VI. PUBLIC INTEREST

The establishment of an expanded weekly options market will allow institutional and retail investors to benefit from an effective investment and risk management tool, as well as potentially higher returns.

<u>Rationale: More Advantageous Premiums, Lower Risk of Roll and Lower Commissions</u>

As previously mentioned, multiple weekly options expiries offer more benefits than the current weekly option listing of a single expiry.

In addition to the reduction of the risk of roll, the lower option premiums and lower commissions, the Bourse will illustrate a few practical examples meant to further demonstrate advantages of the multiple weekly options expiries.

Hedgers

One of the main concerns of a hedger is to be able to execute his hedge over a time horizon which is most appropriate for his strategy, at the lowest cost and with the least risk.

For example, an investor willing to buy put options to protect a portfolio for a period of two or three weeks will buy a weekly option with a deferred expiry, thereby minimizing his premium expense and broker fees, and eliminating the risk to roll the option position (as the nearest monthly option's expiry is four weeks away and the premium is higher compared to that of the weekly options with two or three weeks maturity).

Speculators

Speculators can also benefit from multiple weekly options expiries, by being able to time their market entry for the best and most cost-effective conditions.

For example, if a speculator wants to enter a short-term position in a stock which is expected to post financial results in three weeks but fears that the implied volatility (and the premium) of the options may increase substantially as the announcement date approaches, the speculator will be concerned by the risk to roll the option position.

In order to eliminate this risk, the speculator may want to enter into an option position a few weeks prior to the announcement date and locking-in an advantageous implied volatility. Such a requirement can be achieved only by buying a weekly option with a maturity of three weeks (as the nearest monthly option expires in four weeks and its premium is higher than the premium of the weekly option with three weeks to maturity).

Option writers

Similar to the case of the speculator, previously described, an option writer is exposed to the risk of roll of his short option position.

For example, rumours on a company are likely to result in a substantial increase in the implied volatility of very short-term options. However, the rumours may have no impact on the implied volatility of monthly options. In such a situation, an option writer may fear that statements from the company intended to calm the market and that are expected to considerably lower the short-term implied volatility could come at any moment.

Therefore, the option writer may be concerned of the risk to roll his weekly options position and may want to lock-in for the longest time possible the high short-term volatility found in the weekly options. To this end, he will be best served by writing weekly options with a maturity that is longer than one week and shorter than the maturity of the next monthly option expiry.

Public Interest Expressed in Multiple Weekly Options Expiries

As mentioned above, major US options exchanges list multiple weekly options expiries on Canadian underlying securities.

Where available, detailed data offered by the exchanges demonstrates that market participants use the multiple expiries of the weekly options as much as they use the original 7-day maturity.

CBOE
The table below shows that on the CBOE – which lists multiple weekly options expiries – there is approximately as much open interest on the 7-day weekly options and less to maturity as there is on the weekly options with 7 days and more to maturity.

	Open Interest in US listed weekly options with extended maturities on Canadian stocks		
	A) Open Interest in 7-day weekly options	B) Open Interest in the other four "extended" maturities of the weekly options	B / A
Barrick Gold Corp	36 858	33 929	92%
Agrium Inc.	1 398	1 028	74%
Yamana Gold, Inc.	12 974	5 797	45%
Blackberry	50 897	19 578	38%
Cameco Corp.	940	962	102%
Goldcorp Inc.	6 579	5 326	81%
Kinross Gold Corp	1 750	4 370	250%
Occidental Petroleum Corp.	6 612	7 138	108%
Potash Corp Saskatchewan	10 585	5 022	47%
Silver Wheaton Corp.	8 524	8 438	99%
Suncor Energy Inc.	2 473	3 935	159%
Talisman Energy Inc.	367	15	4%
Valeant Pharmeaceuticals Intl.	1 598	2 119	133%
AVERAGE			95%

Note: Open Interest on CBOE as of Jan 29, 2015; source: www.cboe.com

AMEX

A similar table containing open interest data from AMEX shows that there is even more open interest in options with maturities longer than 7 days than on the ones with maturities of 7 days or less.

AMEX	Open Interest in US listed weekly options with extended maturities on Canadian stocks		
	A) Open Interest in 7-day weekly options	B) Open Interest in the other four "extended" maturities of the weekly options	B / A
Barrick Gold Corp	8 550	8 925	104%
Agrium Inc.	691	657	95%
Yamana Gold, Inc.	953	3 031	318%
Blackberry	25 333	17 467	69%
Cameco Corp.	675	1 133	168%
Goldcorp Inc.	7 167	4 442	62%
Kinross Gold Corp	100	200	200%
Occidental Petroleum Corp.	5 447	6 312	116%
Potash Corp Saskatchewan	6 390	8 352	131%
Silver Wheaton Corp.	4 823	4 294	89%
Suncor Energy Inc.	2 691	6 348	236%
Talisman Energy Inc.	20	249	1245%
Valeant Pharmeaceuticals Intl.	5 437	1 669	31%
AVERAGE			220%

Note: Open Interest on AMEX as of April 10, 2015; source: https://www.nyse.com/listings_directory/option/nyse-amex/equity

VII. EFFICIENCY

The benefits enumerated in herein are expected to further improve the option market's efficiency by providing institutional and retail investors with an investment and risk management tool that is more cost effective and offers optimal time horizons, as well as a new price-discovery tools. As explained in the Public Interest section above, the weekly options with multiple expiries will provide market participants with better granularity of the options' volatility surfaces (more prices, more implied volatilities, more expirations, more option series), thereby allowing market participants to identify and select the most appropriate and cost-effective instrument for their specific purposes.

More specifically, even if it is possible that the volume of the monthly options may decrease by reason of the introduction of the weekly options with multiple maturities, the Bourse expects that they will nevertheless provide, overall, an increased efficiency in the options market. Currently, market participants with less than a 2-month investment and hedging horizon can choose only between the 7-day weekly options and the front-month monthly options. The Bourse expects that, once the participants are offered weekly options with multiple expiries, which are less costly, more precise and more efficient than the ones they are currently confined to, some market participants will abandon the front-month monthly options and will choose the weekly options with multiple maturities that are more appropriate for their needs. However, the weekly options with multiple expiries are also expected to attract new market participants who are not using any options as they do not find the options currently offered viable or efficient for their investment and hedging strategies.

The overall effect should be positive and result in a more efficient Canadian options market.

VIII. PROCESS

The proposed amendments, including this analysis, must be approved by the Bourse's Rules and Policies Committee and submitted to the Autorité des marchés financiers, in accordance with the self-certification process, and to the Ontario Securities Commission for information purposes.

IX. ATTACHED DOCUMENTS

- Proposed amendments to article 6637 of Rule Six of the Bourse

6637 Expiration Date
(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 24.05.13, 19.06.14, 07.05.15, 00.00.00.)

a) No transaction of options contracts in expiring series shall be made after the close of trading on the last day of trading.

b) In the case of equity options, bond options, exchange-traded fund options, index options and currency options other than weekly options, the expiration date shall be the third Friday of the contract month, provided it is a business day. If it is not a business day, the expiration date shall be the preceding business day.

In the case of futures options, the expiration date shall be the last trading day.

In the case of weekly index, equity and exchange-traded fund options, the expiration date shall ~~correspond to the last trading day, which is the Friday~~ be any of the ~~week~~five Fridays following the listing ~~or, if it is not a business day,~~week which is a business day, but which is not an expiration day for any other options already listed on the same underlying. If any such Friday is not a business day, then the expiration date will be the first preceding business day~~.~~ that is not an expiration day for any other options already listed on the same underlying.

~~In the case of weekly index options, the expiration date shall correspond to the day following the last trading day, which is the Thursday of the week following the listing or, if it is not a business day, the first preceding business day.~~

c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.

6637 Expiration Date
(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 24.05.13, 19.06.14, 07.05.15, 00.00.00.)

a) No transaction of options contracts in expiring series shall be made after the close of trading on the last day of trading.

b) In the case of equity options, bond options, exchange-traded fund options, index options and currency options other than weekly options, the expiration date shall be the third Friday of the contract month, provided it is a business day. If it is not a business day, the expiration date shall be the preceding business day.

In the case of futures options, the expiration date shall be the last trading day.

In the case of weekly index, equity and exchange-traded fund options, the expiration date shall be any of the five Fridays following the listing week which is a business day, but which is not an expiration day for any other options already listed on the same underlying. If any such Friday is not a business day, then the expiration date will be the first preceding business day that is not an expiration day for any other options already listed on the same underlying.

c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.