

# Advisory Notice A19-002

## Reverse-Split of the S&P/TSX 60 Index Options Contract multiplier

Pursuant to circular [073-19](#), Bourse de Montréal Inc. (the Bourse) wishes to announce that as of market open on **June 3<sup>rd</sup>**, the Bourse will be transitioning its options on the S&P/TSX60 index, SXO, to the new symbol SXO1 as a result of the proposed increase in the multiplier from C\$10 per S&P/TSX 60 Index point to C\$100 per S&P/TSX 60 Index point.

All SXO with open interest at the close of business on Friday May 31, 2019 will have their symbol changed to SXO1 (“mini-SXO”) and its multiplier will remain C\$10 per S&P/TSX 60 Index point, while the new contract will have a C\$100 per S&P/TSX 60 Index point multiplier with the symbol SXO (“standard-SXO”).

For example an existing symbol such as **SXO 190719C1005.00** with open interest on Friday May 31, 2019 will be changed to **SXO1 190719C1005.00**, for the opening of the market on Monday June 3, 2019.

As is currently possible with SXF (S&P/TSX 60 Index Standard Futures) vs SXM (S&P/TSX 60 Index Mini Futures), opposing positions (Long & Short) on SXO1 and SXO index options can be offset with a 10:1 ratio (Request for Standard vs Mini Offset). This means that a participant can close out a ten contract **long** position in the SXO1 contract with a 1 contract **short** position on the new SXO contract provided both instruments have the same specifications (expiry, are both puts or both calls, and have the same strike price). The Bourse will delist SXO1 series/contracts after a transition period and when all series with open interest have either been offset using the methodology described above, or will have expired. The new contract specifications can be found below.

As is the case with the SXF vs SXM offset, clearing members must inform the Canadian Derivatives Clearing Corporation (CDCC) before 4:15 pm ET of their intention to proceed with the offset. Both positions (mini-SXO and standard-SXO) will be processed by CDCC without cost to close out the positions.

The client shall refer to notice [2019-62](#) of CDCC for more information regarding the appropriate form to be filled out and the necessary steps to follow.

Opening positions for SXO1 will be accepted until instruments expiration. Participants holding SXO1 positions will be able to leverage the [Request For Quote](#) functionality to seek liquidity and Market Makers shall, on a commercially reasonable basis, respond to RFQs (Requests for Quote).

In case of additional questions, the Bourse invites the clients to contact their clearing member for further details on position offsetting procedures

### **Test Environment**

Should you require testing, the standard and mini SXO are accessible via the Bourse's General Test Environment (GTE).

Application testing and support is available Mondays through Thursdays, from 8:00 am (ET) to 4:30 pm (ET) and on Fridays, from 8:00 am (ET) to 4:00 pm (ET). After-hours testing is available without support on Mondays through Thursdays, from 4:30 pm (ET) to 10:30 pm (ET).

For more information on this initiative, please contact the Technical Help Desk at the address below.

Regards,

#### **Technical Help Desk**

Toll free: 1-877-588-8489

Telephone: 514-871-7872

Email: [samsupport@tmx.com](mailto:samsupport@tmx.com)

## SXO1 S&P/TSX 60 INDEX MINI OPTIONS

SPECIFICATIONS	
<b>Underlying</b>	The S&P/TSX 60 Index, which is designed to represent leading companies in leading industries. Market Capitalization: Larger companies, as measured by the float adjusted market capitalization, are considered for the S&P/TSX 60 Index. A company's float adjusted market capitalization is calculated by removing control blocks of 10% or more.
<b>Trading Unit</b>	C\$10 per S&P/TSX 60 Index point.
<b>Expiry Cycle</b>	At a minimum, the nearest three expiries plus the next two expiries in the designated quarterly cycle: March, June, September, December. Annual expiry of December for long term options.
<b>Minimum Fluctuation of the Option Premium</b>	<ul style="list-style-type: none"> <li>0.01 index point = C\$0.10 per contract, for premiums of less than 0.10 index point</li> <li>0.05 index point = C\$0.50 per contract, for premiums of 0.10 index point or more</li> </ul>
<b>Strike Prices</b>	Strike prices are set at a minimum of 2.5 index point intervals. At a minimum, five strike prices bracketing the current underlying index's market price.
<b>Contract Type</b>	European style.
<b>Last Trading Day</b>	The first business day prior to expiration.
<b>Expiration Day</b>	The third Friday of the contract month, provided it is a business day. If it is not a business day, expiration will occur on the first preceding business day.
<b>Final Settlement Price</b>	Cash-settled. The final settlement price is the official opening level of the underlying index on the expiration day.
<b>Position Reporting Threshold</b>	1,500 contracts in the case of standard options on the S&P/TSX 60 Index and mini options on the S&P/TSX 60 Index, by aggregating positions on both options contracts. For the purposes of aggregating positions, one standard options contract on the S&P/TSX 60 Index is equal to 10 mini options contracts on the S&P/TSX 60 Index.
<b>Position Limit</b>	There are no position limits.
<b>Trading Halt</b>	A trading halt will be coordinated with the triggering of "circuit breakers" on the underlying index.
<b>Trading Hours</b>	9:31 a.m. to 4:00 p.m. ET
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation (CDCC).
<b>Ticker Symbol</b>	SXO1

The information contained in this document is for information purposes only and shall not be construed as legally binding. This document is a summary of the product's specifications which are set forth in the Rules of Bourse de Montréal Inc. ("Rules of the Bourse"). While Bourse de Montréal Inc. endeavors to keep this document up to date, it does not guarantee that it is complete or accurate. In the event of discrepancies between the information contained in this document and the Rules of the Bourse, the latter shall prevail. The Rules of the Bourse must be consulted in all cases concerning products' specifications.

[2019-06-03]

## SIX|O S&P/TSX 60 INDEX STANDARD OPTIONS

SPECIFICATIONS	
<b>Underlying</b>	<p>The S&amp;P/TSX 60 Index, which is designed to represent leading companies in leading industries.</p> <p>Market Capitalization: Larger companies, as measured by the float adjusted market capitalization, are considered for the S&amp;P/TSX 60 Index. A company's float adjusted market capitalization is calculated by removing control blocks of 10% or more.</p>
<b>Trading Unit</b>	C\$100 per S&P/TSX 60 Index point.
<b>Expiry Cycle</b>	At a minimum, the nearest three expiries plus the next two expiries in the designated quarterly cycle: March, June, September, December. Annual expiry of December for long term options.
<b>Minimum Fluctuation of the Option Premium</b>	<ul style="list-style-type: none"> <li>• 0.01 index point = C\$1.00 per contract, for premiums of less than 0.10 index point</li> <li>• 0.05 index point = C\$5.00 per contract, for premiums of 0.10 index point or more</li> </ul>
<b>Strike Prices</b>	<p>Strike prices are set at a minimum of 2.5 index point intervals.</p> <p>At a minimum, five strike prices bracketing the current underlying index's market price.</p>
<b>Contract Type</b>	European style.
<b>Last Trading Day</b>	The first business day prior to expiration.
<b>Expiration Day</b>	The third Friday of the contract month, provided it is a business day. If it is not a business day, expiration will occur on the first preceding business day.
<b>Final Settlement Price</b>	Cash-settled. The final settlement price is the official opening level of the underlying index on the expiration day.
<b>Position Reporting Threshold</b>	1,500 contracts in the case of standard options on the S&P/TSX 60 Index and mini options on the S&P/TSX 60 Index, by aggregating positions on both options contracts. For the purposes of aggregating positions, one standard options contract on the S&P/TSX 60 Index is equal to 10 mini options contracts on the S&P/TSX 60 Index.
<b>Position Limit</b>	50 000 contracts on the same side of the market, in all contract months combined.
<b>Trading Halt</b>	A trading halt will be coordinated with the triggering of "circuit breakers" on the underlying index.
<b>Trading Hours</b>	9:31 a.m. to 4:00 p.m. ET
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation (CDCC).
<b>Ticker Symbol</b>	SXO

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[2019-06-03]