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<input checked="" type="checkbox"/> Back-office – Futures	<input checked="" type="checkbox"/> Regulation

CIRCULAR 008-16
January 21, 2016

SELF-CERTIFICATION

ELIGIBILITY OF CRITERION FOR INDEX OPTIONS

AMENDMENTS TO ARTICLE 6602 OF RULE SIX OF BOURSE DE MONTRÉAL INC.

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved amendments to article 6602 of Rule Six of the Bourse in order to change the eligibility criterion for indices to qualify as underlying interests for an option listed on the Bourse. The proposed amendments seek to introduce a qualitative criterion specifying the considerations taken into account by the Bourse in selecting an index as an underlying interest for one of its options.

The attached amendments were self-certified in accordance with the self-certification process as defined in the *Derivatives Act* (CQLR, Chapter I-14.01). They will come into effect and be incorporated into the version of the Rules of the Bourse on the Bourse’s website (www.m-x.ca) on **January 21, 2016**.

The rule changes described in the present circular were published for public comment by the Bourse on September 23, 2015 (see Circular [116-15](#)). Pursuant to the publication of this circular, the Bourse received one comment. You will find attached the comment received and the response from the Bourse.

For additional information, please contact Gladys Karam, Director, Equity Derivatives, at 514-871-7880 or by email at gkaram@m-x.ca

Jean-François Bertrand
Vice-President, Market Operations
Services and Connectivity
Financial Markets

6602 Qualification for Underlying Interests

(13.03.87, 31.05.88, 10.11.92, 07.09.99, 28.01.02, 26.09.05, 04.06.15, 00.00.00)

Products qualify as underlying interests provided they meet certain requirements.

- a) Every equity issue shall be listed on a Canadian Exchange, meet the criteria of the Canadian Derivatives Clearing Corporation, or be a security recommended for approval by the Bourse.
- b) In the case of Government of Canada Bonds, every issue shall have an outstanding amount of at least \$500,000,000 face value at maturity.
- c) A Futures contract must be listed on the Bourse.
- d) In the case of a currency, it must have been priorily approved by the Bourse.
- e) In order for a Canadian sponsored option to be traded on the Bourse, the underlying interest must satisfy the options eligibility criteria defined in the Canadian Derivatives Clearing Corporation Rules.
- f) In order for an international sponsored option to be traded on the Bourse, the underlying interest must be currently traded on a recognized exchange and there must be options or futures contracts listed on this same exchange or on any other recognized exchange.

For the purpose of the present Rule, the term "recognized exchange" means any exchange carrying on its activities on the territory of one of the Basle Accord Countries and those countries that have adopted the banking and supervisory rules set out in the Basle Accord, and any other exchange or group of exchanges with whom the Bourse has signed a collaboration agreement.

- g) In the case of an index sponsored option, the sponsor must have a licensing rights agreement with the index supplier. A copy of the agreement must be filed with the Bourse before the sponsored option is launched.
- h) In the case of an index, the index ~~must be referenced in the Rules of the Bourse~~ administrator must have governance arrangements in place designed to protect the integrity of the index and must be considered to have a methodology for constructing and maintaining the index that is sufficiently transparent to facilitate a stakeholder's ability to understand the methodology and to evaluate the credibility of the index.

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Circular 116-15: Summarised comments and responses

Note: The only letter received is in favour of the proposal.

No.	Date comment received	Comment summaries	Summary of response
1.	Oct. 23, 2015	The Commenter is supportive of the proposed amendments. The commenter believes the amendments will clarify certain aspects of the qualifying criterion for indices as underlying interests for an option.	The Bourse thanks the commenter for its time, its consideration of the proposed amendments and for its support towards the proposed amendments.