



CIRCULAR 028-25
February 27, 2025

REQUEST FOR COMMENTS

AMENDMENTS TO THE REPORTING OF EXCHANGE OF FUTURES FOR RELATED PRODUCT TRANSACTIONS AND ORDERS

On **February 25, 2025**, the President and CEO of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to the rules of the Bourse on reporting Exchange of Futures for related Product Transactions and Orders.

Comments on the proposed amendments must be submitted at the latest on **March 27, 2025**. Please submit your comments to:

Maxime Rousseau-Turenne
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Bourse de Montréal Inc.
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P.O. Box 37
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A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec (Québec) G1V 5C1
Fax : (514) 864-8381
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. Unless specified otherwise, comments will be published anonymously by the Bourse.

Appendices

You will find in the appendices an analysis 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 established 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 by the Autorité. The Regulatory Division of the Bourse (the “Division”) is responsible for the regulatory functions of the Bourse and carries on its activities as an independent unit separate from the other activities of the Bourse. The Division’s activities are performed under the oversight of the Self-Regulatory Oversight Committee appointed by the Board of Directors of the Bourse. 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 of the Bourse. Responsibility for new rule proposals or amendments to rules pertaining to market integrity is vested with the Division. The proposals and amendments are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).



PROPOSED AMENDMENTS TO THE RULES OF THE BOURSE DE MONTRÉAL TO THE REPORTING OF EXCHANGE OF FUTURES FOR RELATED PRODUCT TRANSACTIONS AND ORDERS

Description

Bourse de Montréal Inc. (the “Bourse”) hereby proposes to amend the rules of the Bourse (the “Rules”) to 1) facilitate the introduction of additional reporting solutions that would allow external users accepted by the Bourse to submit the Futures leg of an Exchange of Futures for Related Products (EFRPs), specifically Exchange for Physicals (EFPs) trades, directly to the Bourse’s Trading System and 2) introduce a new order type for this purpose (the “Proposed Amendments”).

The Rules currently provide that the Special Terms Transaction Reporting Form (STTRF)¹ is the only means by which Approved Participants can report EFRP transactions to the Bourse’s Market Operations Department. The new order type would allow for the execution of the Futures leg of an EFRP, specifically EFPs, by means of two matching orders sent to the Trading System.

Unless otherwise defined herein, any defined term used in this analysis will have the meaning described in the Rules.

Outline of the Amendments

The Bourse proposes to make minor modifications to Section 6.208(d) of the Rules in order to accommodate new reporting solution initiatives, namely one that would allow for the electronic submission of EFRPs directly to the Bourse’s trading engine. Additionally, the Bourse proposes to modify Sub-paragraph 6.110 b) xi) to introduce a new order type that would accordingly allow for the execution of the Futures leg of an EFRP by means of two matching orders sent to the trading engine.

The Proposed Amendments are provided herein in Appendix “A”.

Background

Currently, Approved Participants can only report the terms of an EFP to the Bourse’s Market Operations Department, via the STTRF available on its website, while the Futures leg of such EFP must be entered manually by a Bourse Market Supervisor.

Rationale for the Amendments and Approach

OBJECTIVES:

- 1) To facilitate the admission of alternative reporting solutions that would allow for the

¹ The STTRF is available at <http://sttrf-frots.m-x.ca/>.

submission of Exchange of Futures for Related Products (EFRPs) to the Bourse's trading engine by accepted external users through an alternative medium, other than the Special Terms Transaction Reporting Form.

- 2) Facilitate the digitization of the execution of the Futures leg component of an EFRP.

Therefore, the Bourse proposes to amend the Rules in order to allow for the admission of new reporting solutions, as well as to introduce a corresponding new order type.

This will not impact market participants' ability to continue sending EFPs via the STTRF nor the ability of Market Supervisors of the Bourse to manually execute the Futures leg of an EFP.

COMPARATIVE ANALYSIS:

The facilitation of electronic submissions of the Futures leg of EFP trades proposed by the Bourse shares several commonalities with the EFP services currently offered by other global exchanges, such as the Eurex Exchange ("Eurex") and the CME Group ("CME"). The Bourse's initiative aims to increase market participation and efficiency through minor technological developments and rule changes allowing external users accepted by the Bourse to report the Futures leg of an EFP trade directly to the Bourse's trading engine.

The digitization of the execution of the Futures leg component of an EFP is in line with the currently well established and mature electronic trading platforms in operation at Eurex and CME, where such efficiency is already the norm:

- Eurex uses the T7 entry service to enter the futures leg of EFP transactions. This is an automated order entry. Eurex is also planning on offering a similar electronic basis solution for the submission of both the cash and futures legs of EFP transactions and is partnering with TradeWeb² to that end;
- CME allows participants to use the CME ClearPort or CME Direct platforms for electronic EFP transactions submission.

Analysis of Impacts

(i) Impact on Market

The impact on market participants will be minimal given that there will be no change to the current procedure by which EFPs are reported to the Bourse and market supervisors will continue to have the ability to manually enter the execution of the Futures leg of an EFRP.

(ii) Impacts on technology

The Bourse will need minor technological development work to allow external users to report the Futures leg of an EFP trade directly to the Bourse's trading engine.

The Proposed Amendments will have no other impact on the technological systems of the Bourse, the Canadian Derivatives Clearing Corporation ("CDCC") or Approved Participants.

² www.eurex.com/ex-en/find/news-center/news/Eurex-streamlines-off-book-EFP-financial-trade-approvals-in-Fixed-Income-Futures-4104936

(iii) Impacts on regulatory functions

The following represents the impact of the Proposed Amendments for the Regulatory Division. The system feed, database, and parameters configuration will take into account the reports and trade information received through this proposed solution for the surveillance of EFRPs. The corresponding procedures for the activities of the core regulatory functions of the Regulatory Division may have to be revised in light of changes participants may have to implement to adapt their compliance obligations under the Rules. Consequently, existing publications on EFRPs will have to be amended or new guidelines may be required based on the Bourse's specifications for the new reporting solution.

(iv) Impact on clearing functions

The Proposed Amendments will have no impact on the clearing functions or the clearing system of CDCC.

(v) Impact on Compliance with Laws

The Proposed Amendments will have no impact on the compliance, supervision and reporting rules of the Bourse. Accepted alternative EFP reporting services will be subject to and maintain compliance with all applicable existing regulations, including the need for accurate and timely reporting, as well as for maintaining market integrity.

(vi) Public Interest

The Proposed Amendments are not contrary to the public interest.

Timing

The Bourse intends to implement the Proposed Amendments in Q1 2025.

Requested Action

For your consideration, attached as Appendix A are the proposed changes to the Rules of the Bourse. If they are acceptable, please indicate your approval by signing below.

APPENDIX A: AMENDMENTS TO THE RULES OF THE BOURSE

BLACKLINE VERSION

Article 6.110 Orders

[...]

(b) The types of which entered into the Electronic Trading System are as follows:

[...]

(xi) EFRP order. An EFRP order is an order that can only be matched with an opposite EFRP order that meet the following conditions:

- (1) The identification codes of the Approved Participants on the initial order match the identifications codes of the same Approved Participants on the opposing order;
- (2) Both orders are entered with the same price and for the same quantity of the same product;
- (3) Both orders must be entered during the same Business Day.
- (4) The Transaction resulting from the orders complies with the requirements applicable to EFRP Transactions under Article 6.208.

[...]

Article 6.208 Exchange of Futures for Related Products

(a) EFRP Transactions in general. Exchanges of Futures for Related Products (“EFRP”) Transactions involving Futures Contracts listed and traded on the Bourse are permitted if such Transactions are executed in accordance with the requirements of this Article. An EFRP Transaction is composed of the privately negotiated execution (which includes, for purposes of this Article, a Transaction resulting from the matching of two EFRP orders as described in subparagraph 6.110(b)(xi)) of a Bourse Futures Contract and the opposite, simultaneous execution of an approximately equivalent quantity or value of cash product, by-product, related product, or Over-The-Counter (“OTC”) Derivative Instrument underlying the Futures Contract.

[...]

(d) Reporting EFRP Transactions. Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the Transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at <http://sttrf-frots.m-x.ca/>, or by any other means identified and accepted by the Bourse, each EFRP Transaction executed during the trading hours of the applicable Futures Contract. For those EFRP Transactions executed after such trading hours, the Transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the Trading Day following execution. The Market Operations Department will validate the details of the report before accepting the Transaction (which is not a confirmation by the Bourse that the EFRP Transaction has been effected in accordance with this Article).

CLEAN VERSION

Article 6.110 Orders

[...]

(b) The types of which entered into the Electronic Trading System are as follows:

[...]

(xi) EFRP order. An EFRP order is an order that can only be matched with an opposite EFRP order that meet the following conditions:

- (1) The identification codes of the Approved Participants on the initial order match the identifications codes of the same Approved Participants on the opposing order;
- (2) Both orders are entered with the same price and for the same quantity of the same product;
- (3) Both orders must be entered during the same Business Day.
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