<u>SELF-CERTIFICATION</u>

INTRODUCTION OF BASIS TRADES ON CLOSE FOR INDEX FUTURES, SECTOR INDEX FUTURES AND SHARE FUTURES

On May 9, 2017, the Rules and Policies Committee of Bourse de Montréal Inc. (the "**Bours**e") has approved amendments to article 6380 of Rule 6 of the Bourse as well as amendments to the *Procedures Applicable to the Execution of Cross Transactions and the execution of prearranged transactions* and to the *Procedures for the Cancellation or Adjustment of Trades* (the "**Procedures**"). Please note that on January 17, 2018, after market close, article 6380 of Rule 6 was modified and the Procedures were incorporated in articles 6380 and 6381 of the Rules of the Bourse. The amendments presented in this circular have been adapted to these changes.

By these amendments, the Bourse wishes to incorporate in its Rules a functionality that will allow participants to post and trade "basis spread type" orders on index, sector index and share futures contracts on the Bourse's electronic trading platform. This functionality will be called "Basis Trade on Close" or "BTC".

The modified version of Rule Six, the relevant extracts of which are attached, will become effective on **June 7, 2018 after market close**. Please note that the new Rule Six will also be available on the Bourse's website (www.m-x.ca).

The rule changes described in the present circular were published for public comment by the Bourse on May 31, 2017 (see Circular 078-17). Further to the publication of this circular, the Bourse has received comments. A summary of the comments received as well as responses from the Bourse to these comments is attached hereto.

For additional information, please contact Gladys Karam, Director, Equity Derivatives, by telephone at 514-871-7880 or by email at gladys.karam@tmx.com

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6379 **Input of Orders and Use of the Basis Trade on Close Functionality**
(25.09.00, 24.09.01, 29.10.01, 01.04.04, 17.01.18, 00.00.00)

a)   An Approved Participant shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the Person placing the order.

b)   Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are met, the system automatically records the order.

c)   If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.

d)   The Bourse may, from time to time, allow Approved Participants to enter orders using the Basis Trade on Close ("BTC") functionality. A BTC is a Trade effected on the Bourse on a Futures Contract designated by the Bourse that is priced in reference to the closing price of the applicable Underlying Interest, adjusted by a valid price increment (the "basis"). A BTC may result in a final Futures Contract price to be outside of applicable daily price limits. The final Futures Contract price will be calculated as follows: Underlying Interest closing price + basis (the basis could be either positive or negative). The Underlying Interest closing price will be the last price published by the Toronto Stock Exchange ("TSX") at the calculation time on a given day. If no price is available, the Underlying Interest closing price published by TSX on the previous day will be used. Should the Underlying Interest closing price be modified after the calculation time, but before 5:00pm, the final Futures Contract price will be automatically adjusted by the electronic trading system on the same trading day. Should the Underlying Interest closing price change after 5:00pm, the final Futures Contract price will be adjusted the following trading day. The calculation time may differ from one Futures Contract to another. In the event of a disruption in the primary market for a given Underlying Interest, a trading halt will be invoked on the BTC by an official of the Bourse. The Bourse will publish by circular the trading schedule, calculation time and minimum price fluctuation for each futures contract for which the BTC is offered. The BTC trading schedule may be different from the related Futures Contract trading schedule. However, the last day of Trading of the BTC shall be the same as the last trading day of the related Futures Contract.

6379   Input of Orders and Use of the Basis Trade on Close Functionality
(25.09.00, 24.09.01, 29.10.01, 01.04.04, 17.01.18, 00.00.00)

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b)   Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are met, the system automatically records the order.

c)   If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.

d)   The Bourse may, from time to time, allow Approved Participants to enter orders using the Basis Trade on Close ("BTC") functionality. A BTC is a Trade effected on the Bourse on a Futures Contract designated by the Bourse that is priced in reference to the closing price of the applicable Underlying Interest, adjusted by a valid price increment (the "basis"). A BTC may result in a final Futures Contract price to be outside of applicable daily price limits. The final Futures Contract price will be calculated as follows: Underlying Interest closing price + basis (the basis could be either positive or negative). The Underlying Interest closing price will be the last price published by the Toronto Stock Exchange ("TSX") at the calculation time on a given day. If no price is available, the Underlying Interest closing price published by TSX on the previous day will be used. Should the Underlying Interest closing price be modified after the calculation time, but before 5:00pm, the final Futures Contract price will be automatically adjusted by the electronic trading system on the same trading day. Should the Underlying Interest closing price change after 5:00pm, the final Futures Contract price will be adjusted the following trading day. The calculation time may differ from one Futures Contract to another. In the event of a disruption in the primary market for a given Underlying Interest, a trading halt will be invoked on the BTC by an official of the Bourse. The Bourse will publish by circular the trading schedule, calculation time and minimum price fluctuation for each futures contract for which the BTC is offered. The BTC trading schedule may be different from the related Futures Contract trading schedule. However, the last day of Trading of the BTC shall be the same as the last trading day of the related Futures Contract.

6380   Transactions Required on Bourse Facilities
        (25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18,
        09.02.18)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

6380a. Prearranged Transactions Prohibited.

No Person shall prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except as permitted by, and in accordance with article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to prearranged transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange For Related Positions pursuant to articles 6815; and transfers of open positions under article 6816; *provided however,* no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Prearranged transactions.

1) **In general.**

    For the purpose of this article, "communication" means any communication for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a transaction.

    The parties to a transaction may engage in communications to prearrange a transaction on the electronic trading system in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

    i)   A customer must consent to the Approved Participant engaging in prearranging communications on the customer's behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;

    ii)   After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap Futures Contracts (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO2e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity, ETF and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

iii)   The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the electronic trading system first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; provided however, that in a prearranged transaction between an Approved Participant and a customer for an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.

iv)   Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.

iv)   Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.

v)   The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.

2) **Committed Orders.** Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay, or to execute strategies, and may be used for such transactions only for the following products subject to the minimum quantity threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
Futures Contracts on S&P/TSX Indices	100 contracts
Basis Trade on Close: Futures Contracts on S&P/TSX Indices	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	250 contracts

Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts
Canadian Share Futures Contracts	100 contracts
Basis Trade on Close: Canadian Share Futures Contracts	100 contracts

3) **Transactions on eligible products with a prescribed time delay.** The parties may engage in communications to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however*:

    i)   in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, subject to the conditions in paragraph 2 of article 6380c; or

    ii)   in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) **Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum**

The parties to an option strategy transaction may engage in communications to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

    i)   market makers are permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction;

    ii)   each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and

    iii)   the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

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6381   Trade Cancellations and or Price Adjustments of Trades
(25.09.00, 24.09.01, 29.10.01, 24.04.09, 17.01.18, 23.02.18)

a) **General.** The Bourse may adjust trade prices or cancel trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the trading system. Notwithstanding any other provision of this article, the Bourse may adjust trade prices or cancel any trade executed through the trading system if the Bourse determines in its sole discretion that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market or the market's orderly operation. The decision of the Bourse in such matters shall be final.

b) **Review of Trades, Requests for Review.** The Bourse may review a trade or trades based upon its analysis of market conditions, including but not limited to market volatility, prices in related markets, or in response to a request for review of a specific trade by an Approved Participant. An Approved Participant must request review of a trade by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366 within 15 minutes of execution; provided however, the Bourse, in its sole discretion, may extend the period in which an Approved Participant may request review of a trade up to one hour following execution in extraordinary circumstances.

c) **Notice to the Parties to the Transaction.** Where the Bourse on its own analysis determines to review a trade or trades for adjustment or cancellation, or where an Approved Participant has requested review of a specific trade and that trade is outside of the No Review Range provided under paragraph g) of this article, the Bourse will notify the parties to the trade that the trade or trades are under review by the Bourse.

d) **Price Adjustments and Cancellations Procedures.** Upon making a determination to review a trade, the Bourse shall (1) determine, in its sole discretion, the acceptable marker price, and (2) apply the increments provided under paragraph g) in order to determine the limits of the No Review Range.

    i) **Trade Price Inside the No-Review Range**. If the Bourse determines that the trade price is inside the No Review Range, the Bourse will notify the two Approved Participant counterparties to the trade that the trade shall stand as executed; provided however, the Bourse may cancel such a trade within 15 minutes of the trade's execution and within the trading session during which the trade was executed (early, regular or extended), if both Approved Participant counterparties to the trade voluntarily consent to cancellation of the trade.

    ii) **Trade Price Outside the No Review Range**. If the Bourse determines that the trade price is outside of the No-Review Range, the Bourse, after endeavoring to contact the Approved Participant counterparties, shall adjust the price to the limit of the No Review Range. The policy of the Bourse is to favor price adjustment as a remedy over trade cancellation and to adjust trades in order to minimize the impact for all market participants involved in the erroneous trades and particularly those who had a regular order in the order book. However, the Bourse, in its discretion, may cancel a trade rather than adjust the price if:

A) Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade; and

B) Neither party to the trade is either an Approved Participant or the registered holder of a SAM ID.

iii) **Implied Orders, Implied Strategy Orders**.

A) An order generated by the implied pricing algorithm (using regular orders) and registered in the order book by the electronic trading system will be considered by the Bourse as though it were a regular order entered into the trading system by an Approved Participant.

B) An implied or regular strategy trade is considered by the Bourse, as being composed of two regular orders, one for each leg of the strategy trade. If the erroneous trade involves a linked implied order(s) and is priced outside the No Review Range, the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s).

C) The adjustment relating to an erroneous strategy trade will equal at least the increment between the No Review Range and the traded price on one of the individual legs, and no more than the sum of each individual legs' increments.

iv) **Stop Orders.** Trades that have occurred as a result of ''stop orders'' in the Trading System being triggered by an erroneous trade are also subject to cancellation by the Bourse acting in its sole discretion. The determination of the Bourse shall be final.

e) **Decision of the Bourse.** The Bourse shall endeavor to determine to adjust or cancel a trade within 30 minutes following a request to review the trade, or, as applicable, notice to the market that a trade or trades were being reviewed.

i) If the decision is to cancel the trade, the Bourse will remove the transaction as an executed trade from the records of the Bourse.

ii) Upon cancelation of a trade, the parties, if they choose, may reenter new orders into the trading system.

f) If the Bourse determines that a trade should not be adjusted or cancelled, the parties to the trade shall not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

g) **No Review Range.** The Bourse will determine the limits of the No Review Range by determining what was the acceptable market price for the derivative instrument before the trade under review occurred based upon all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets Once the acceptable market price is established, the Bourse applies the following increments to determine the limits of the No Review Range.

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points
Two-Year Government of Canada Bond Futures (CGZ) - Regular strategy orders - Implied Strategy orders	20 basis points 20 basis points Sum of strategy's individual legs' increments
Five-Year Government of Canada Bond Futures (CGF) - Regular strategy orders - Implied Strategy orders	20 basis points 20 basis points Sum of strategy's individual legs' increments
Ten-Year Government of Canada Bond Futures (CGB) - Regular strategy orders	40 basis points 20 basis points
30-Year Government of Canada Bond Futures (LGB) - Regular strategy orders - Implied Strategy orders	40 basis points 40 basis points Sum of strategy's individual legs' increments
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index - Regular strategy orders and Basis Trade on Close	1% of the acceptable market price of these futures contracts 5% of the increments for the outright month

30-Day Overnight Repo Rate Futures Regular strategy orders	5 basis points 5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	5 basis points Sum of the strategy's individual legs' increments.
Futures and Options on Futures Inter-Group Strategies: - Regular strategy orders - Implied Strategy orders	Sum of strategy's individual legs' increments
Equity, Currency, ETF and Index Options Price ranges: Below $2.00 $2.00 to $5.00 Above $5.00 to $10.00 Above $10.00 to $20.00 Above $20.00 to $50.00 Above $50.00 to $100.00 Above $100.00	$0.25 $0.40 $0.50 $0.80 $1.00 $1.50 $2.00
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 and up	$0.25 $0.50
Canadian Share Futures Contracts; and Canadian Share Futures Contracts: Basis Trade on Close	1. 0.50$, if the acceptable market price of these futures contracts is less than 25$; 2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.

Canadian Share Futures Contracts - Regular strategy orders	1. 0.12$, if the acceptable market price of these futures contracts is less than 25$; 2. 0.25$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 0.25% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

6380   Transactions Required on Bourse Facilities
(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 09.02.18)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

6380a. Prearranged Transactions Prohibited.

No Person shall prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except as permitted by, and in accordance with article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to prearranged transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange For Related Positions pursuant to articles 6815; and transfers of open positions under article 6816; *provided however,* no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Prearranged transactions.

1)   **In general.**

For the purpose of this article, "communication" means any communication for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a transaction.

The parties to a transaction may engage in communications to prearrange a transaction on the electronic trading system in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

i)   A customer must consent to the Approved Participant engaging in prearranging communications on the customer's behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;

ii)   After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap Futures Contracts (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO2e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity, ETF and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

iii)   The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the electronic trading system first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; provided however, that in a prearranged transaction between an Approved Participant and a customer for an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.

iv)   Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.

iv)   Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.

v)   The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.

2) **Committed Orders.** Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay, or to execute strategies, and may be used for such transactions only for the following products subject to the minimum quantity threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
Futures Contracts on S&P/TSX Indices	100 contracts
Basis Trade on Close: Futures Contracts on S&P/TSX Indices	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	250 contracts

Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts
Canadian Share Futures Contracts	100 contracts
Basis Trade on Close: Canadian Share Futures Contracts	100 contracts

3) **Transactions on eligible products with a prescribed time delay.** The parties may engage in communications to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however*:

    i)   in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, subject to the conditions in paragraph 2 of article 6380c; or

    ii)   in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) **Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum**

The parties to an option strategy transaction may engage in communications to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

    i)   market makers are permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction;

    ii)   each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and

    iii)   the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

(…..)

6381   Trade Cancellations and or Price Adjustments of Trades
(25.09.00, 24.09.01, 29.10.01, 24.04.09, 17.01.18, 23.02.18)

a)   **General.** The Bourse may adjust trade prices or cancel trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the trading system. Notwithstanding any other provision of this article, the Bourse may adjust trade prices or cancel any trade executed through the trading system if the Bourse determines in its sole discretion that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market or the market's orderly operation. The decision of the Bourse in such matters shall be final.

b)   **Review of Trades, Requests for Review.** The Bourse may review a trade or trades based upon its analysis of market conditions, including but not limited to market volatility, prices in related markets, or in response to a request for review of a specific trade by an Approved Participant. An Approved Participant must request review of a trade by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366 within 15 minutes of execution; provided however, the Bourse, in its sole discretion, may extend the period in which an Approved Participant may request review of a trade up to one hour following execution in extraordinary circumstances.

c)   **Notice to the Parties to the Transaction.** Where the Bourse on its own analysis determines to review a trade or trades for adjustment or cancellation, or where an Approved Participant has requested review of a specific trade and that trade is outside of the No Review Range provided under paragraph g) of this article, the Bourse will notify the parties to the trade that the trade or trades are under review by the Bourse**.**

d)   **Price Adjustments and Cancellations Procedures.** Upon making a determination to review a trade, the Bourse shall (1) determine, in its sole discretion, the acceptable marker price, and (2) apply the increments provided under paragraph g) in order to determine the limits of the No Review Range.

 i)   **Trade Price Inside the No-Review Range**. If the Bourse determines that the trade price is inside the No Review Range, the Bourse will notify the two Approved Participant counterparties to the trade that the trade shall stand as executed; provided however, the Bourse may cancel such a trade within 15 minutes of the trade's execution and within the trading session during which the trade was executed (early, regular or extended), if both Approved Participant counterparties to the trade voluntarily consent to cancellation of the trade.

 ii)   **Trade Price Outside the No Review Range**. If the Bourse determines that the trade price is outside of the No-Review Range, the Bourse, after endeavoring to contact the Approved Participant counterparties, shall adjust the price to the limit of the No Review Range. The policy of the Bourse is to favor price adjustment as a remedy over trade cancellation and to adjust trades in order to minimize the impact for all market participants involved in the erroneous trades and particularly those who had a regular order in the order book. However, the Bourse, in its discretion, may cancel a trade rather than adjust the price if:

A) Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade; and

B) Neither party to the trade is either an Approved Participant or the registered holder of a SAM ID.

iii) **Implied Orders, Implied Strategy Orders**.

A) An order generated by the implied pricing algorithm (using regular orders) and registered in the order book by the electronic trading system will be considered by the Bourse as though it were a regular order entered into the trading system by an Approved Participant.

B) An implied or regular strategy trade is considered by the Bourse, as being composed of two regular orders, one for each leg of the strategy trade. If the erroneous trade involves a linked implied order(s) and is priced outside the No Review Range, the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s).

C) The adjustment relating to an erroneous strategy trade will equal at least the increment between the No Review Range and the traded price on one of the individual legs, and no more than the sum of each individual legs' increments.

iv) **Stop Orders.** Trades that have occurred as a result of "stop orders" in the Trading System being triggered by an erroneous trade are also subject to cancellation by the Bourse acting in its sole discretion. The determination of the Bourse shall be final.

e) **Decision of the Bourse.** The Bourse shall endeavor to determine to adjust or cancel a trade within 30 minutes following a request to review the trade, or, as applicable, notice to the market that a trade or trades were being reviewed.

i) If the decision is to cancel the trade, the Bourse will remove the transaction as an executed trade from the records of the Bourse.

ii) Upon cancelation of a trade, the parties, if they choose, may reenter new orders into the trading system.

f) If the Bourse determines that a trade should not be adjusted or cancelled, the parties to the trade shall not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

g) **No Review Range.** The Bourse will determine the limits of the No Review Range by determining what was the acceptable market price for the derivative instrument before the trade under review occurred based upon all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets Once the acceptable market price is established, the Bourse applies the following increments to determine the limits of the No Review Range.

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies:	
- Regular strategy orders	5 basis points
- Implied strategy orders	Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points
Two-Year Government of Canada Bond Futures (CGZ)	20 basis points
- Regular strategy orders	20 basis points
- Implied Strategy orders	Sum of strategy's individual legs' increments
Five-Year Government of Canada Bond Futures (CGF)	20 basis points
- Regular strategy orders	20 basis points
- Implied Strategy orders	Sum of strategy's individual legs' increments
Ten-Year Government of Canada Bond Futures (CGB)	40 basis points
- Regular strategy orders	20 basis points
30-Year Government of Canada Bond Futures (LGB)	40 basis points
- Regular strategy orders	40 basis points
- Implied Strategy orders	Sum of strategy's individual legs' increments
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index	1% of the acceptable market price of these futures contracts
- Regular strategy orders and Basis Trade on Close	5% of the increments for the outright month

30-Day Overnight Repo Rate Futures Regular strategy orders	5 basis points 5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	5 basis points Sum of the strategy's individual legs' increments.
Futures and Options on Futures Inter-Group Strategies: - Regular strategy orders - Implied Strategy orders	Sum of strategy's individual legs' increments
Equity, Currency, ETF and Index Options Price ranges: Below $2.00 $2.00 to $5.00 Above $5.00 to $10.00 Above $10.00 to $20.00 Above $20.00 to $50.00 Above $50.00 to $100.00 Above $100.00	$0.25 $0.40 $0.50 $0.80 $1.00 $1.50 $2.00
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 and up	$0.25 $0.50
Canadian Share Futures Contracts; and Canadian Share Futures Contracts: Basis Trade on Close	1. 0.50$, if the acceptable market price of these futures contracts is less than 25$; 2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.

Canadian Share Futures Contracts - Regular strategy orders	1. 0.12$, if the acceptable market price of these futures contracts is less than 25$; 2. 0.25$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 0.25% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

INTRODUCTION OF BASIS TRADES ON CLOSE FOR INDEX FUTURES, SECTOR INDEX FUTURES AND SHARE FUTURES

No.	Date comments received	Participant Category	Articles	Summary of comments	Summary of responses
1.	July 21, 2017	Dealer Member Firm	General	Once a basis trade is executed, what information will be available in TMS?	Please refer to the tables on the following pages for an example of what the data in the TMS application will look like with respect to BTC trades.
2.				Will the information displayed in TMS at execution be altered by the MX automatically after 4pm?	Yes, the information displayed in TMS at execution will be altered automatically after market close. Please refer to the tables on the following pages. The tables provide for an example of the relevant fields in a BTC trade available at trade time as well as end of the day.
3.				Is the MX going to split the trade into two prices since futures on S&P/TSX 60 contracts trade in 10c increments and the basis does not?	No, the BTC trade will not be split into two. The 0.10 increment referred to in the question only applies for outright SXF transactions executed on the Bourse's electronic trading system. Each trading books (the BTC book and the outright book) is set with its own tick size, the tick size of the BTC being smaller than that of the S&P/TSX 60 contract given that the basis has substantially lower volatility than the outright contract.

At the end of the day, all trades (those originating from the outright book and those originating from the BTC book and which transformed into futures contracts) are sent for clearing at the prices they |

					each traded on their respective book.
4.				Is there any commitment from (or intent to have) market makers to make on-screen markets?	The BTC is a functionality, not a new product or a new market. Therefore, there will be no market makers.
5.				Will there be commitment / obligation to maintain a minimal bid-ask spread on the basis market?	Please refer to our answer to Question #4 above.
6.				We foresee technical impacts on a member's systems	As indicated in the analysis submitted with the Request for Comments, the Bourse was aware that some technological developments could be required from the Approved Participants and the independent software vendors.

Various communications has been sent to Approved Participants and independent software vendors since May 2017. The functionality is available in GTE mode since November 2017. |

An example of the relevant fields in a BTC trade available at trade time as well as end of the day is illustrated in the tables below.

Prices at the Time of Trade Execution

	S&P/ TSX60 Index	Intraday Basis on Close of SXF (BSF) Trade
TradeSymbol	TX60	**BXFU17**
AllocationSymbol	N/A	**SXFU17**
ClassSymbol	N/A	**BSF**
UnderlyingSymbol	N/A	**TX60**
Trade/Index Price	889.71	**3.7**
TradeMarker	N/A	**BasisOnClose**
AllocationPriceType	N/A	**Intermediate**
AllocationPrice	N/A	**893.41**[1]

The same data will be available for "Give ups" and "Allocations".

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[1] Futures price based on underlying index price of 889.71

End of Day prices:

	S&P/ TSX60 Index	End of day Basis on Close of SXF (BSF) Trade
TradeSymbol	TX60	**BXFU17**
AllocationSymbol	N/A	**SXFU17**
ClassSymbol	N/A	**BSF**
UnderlyingSymbol	N/A	**TX60**
Trade/Index Price	888.56	**3.7**
TradeMarker	N/A	**BasisOnClose**
AllocationPriceType	N/A	**Final**
AllocationPrice	N/A	**892.26[2]**

[2] End-of-day price based on Index closing value of 888.56