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CIRCULAR 056-15
May 21, 2015

SELF-CERTIFICATION

AMENDMENTS TO ARTICLE 15608 OF THE RULES OF BOURSE DE MONTREAL INC.

MODIFICATION OF POSITION LIMIT CALCULATION METHODOLOGY

The Rules and Policies Committee (the “Committee”) of Bourse de Montréal Inc. (the “Bourse”) has approved amendments to article 15608 of the Rules of the Bourse in order to modify the position limit calculation methodology for the benefit of the Bourse’s Government of Canada Bond Futures which includes the Two-Year Government of Canada Bond Futures (CGZ), Five-Year Government of Canada Bond Futures (CGF), Ten-Year Government of Canada Bond Futures (CGB), and 30-Year Government of Canada Bond Futures (LGB).

These amendments, as attached, were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01) and will take effect on **May 21, 2015** after market close. Please note that this article 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 September 10, 2014 (see [Circular 123-14](#)). 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 Antonio Discenza, by telephone at 514 871-3548 or by email at adiscenza@m-x.ca.

Claude Cyr
Senior Vice President
Financial Markets

15608 Position Limits for Bonds Futures Contracts

(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04, 17.04.09, 13.02.15, 21.05.15)

For all expiration months combined

- a) For all expiration months combined for each designated Government of Canada bond futures contract, the maximum net Long Position or net Short Position which a person may own or control in accordance with article 14157 is ~~the greater~~equal to half the sum of:
- i) 20% of the total outstanding deliverable bonds of the front contract month; and
 - ii) the greater of:
 - a) 4,000 contracts; or
 - ~~ii) — b) 20%~~ 20% of the average daily open interest for all contract months during the preceding three calendar months.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the ~~greater of i) and ii)~~position limit determined in accordance with this paragraph a) unless an exemption is granted under article 14157.

For the first contract month

- b) For the first contract month, the maximum net Long Position or net Short Position in each designated Government of Canada bond futures contract which a person may own or control in accordance with article 14157 is the lesser of:
- i) 20% of the open interest of that contract month at the start of trading on the first business day prior to the first delivery notice day of the first contract month; or
 - ii) the futures contract equivalent of 5% of the total outstanding amount of Government of Canada bonds eligible for delivery for the designated Government of Canada bond futures contracts at the start of trading on the first business day prior to the first delivery notice day of the first contract month.

The position limit for the first contract month becomes effective on the first business day prior to the first delivery notice day of the first contract month.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the amount set forth in i) or ii), unless:

an exemption is granted under article 14157 or,

the approved participant is a market maker as defined in article 6820. In this case, this position limit may not exceed the amount set forth in ii) or,

the approved participant commits to taking the futures contracts to delivery. In this case, this position limit may not exceed the amount set forth in ii).

15608 Position Limits for Bonds Futures Contracts

(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04, 17.04.09, 13.02.15, 21.05.15)

For all expiration months combined

- a) For all expiration months combined for each designated Government of Canada bond futures contract, the maximum net Long Position or net Short Position which a person may own or control in accordance with article 14157 is equal to half the sum of:
 - i) 20% of the total outstanding deliverable bonds of the front contract month; and
 - ii) the greater of:
 - a) 4,000 contracts or
 - b) 20% of the average daily open interest for all contract months during the preceding three calendar months.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the position limit determined in accordance with this paragraph a) unless an exemption is granted under article 14157.

For the first contract month

- b) For the first contract month, the maximum net Long Position or net Short Position in each designated Government of Canada bond futures contract which a person may own or control in accordance with article 14157 is the lesser of:
 - i) 20% of the open interest of that contract month at the start of trading on the first business day prior to the first delivery notice day of the first contract month; or
 - ii) the futures contract equivalent of 5% of the total outstanding amount of Government of Canada bonds eligible for delivery for the designated Government of Canada bond futures contracts at the start of trading on the first business day prior to the first delivery notice day of the first contract month.

The position limit for the first contract month becomes effective on the first business day prior to the first delivery notice day of the first contract month.

If deemed necessary, the Bourse may apply a different position limit to an approved participant or its client. This position limit may not exceed the amount set forth in i) or ii), unless:

an exemption is granted under article 14157 or,

the approved participant is a market maker as defined in article 6820. In this case, this position limit may not exceed the amount set forth in ii) or,

the approved participant commits to taking the futures contracts to delivery. In this case, this position limit may not exceed the amount set forth in ii).

Circular 123-14: Summarised comments and responses

Note: All 4 comment letters received are in favour of the proposal.

No.	Date comment received	Commenting participant category	Comment summaries	Summary of response
1.	Sept. 23, 2014	Broker	<p>The Commenter is supportive of the proposed amendments. The commenter considers the current methodology as extremely restrictive, particularly of the development of the new contracts – the CGF, CGZ and LGB.</p> <p>According to the Commenter’s opinion, increased position limits in the new contracts will increase long term holdings of open interest, which will in turn draw in investors that will tighten markets in on-screen trading.</p>	This supportive comment letter did not call for a response from the Bourse.
2.	Sept. 23, 2014	Broker	The Commenter is supportive of the proposed amendments. According to the Commenter’s opinion, position limits in futures should reflect the depth of the underlying deliverable cash issues when a contract does not have a strong track record of volume, otherwise the contract will not mature into a liquid listing.	This supportive comment letter did not call for a response from the Bourse.
3.	Sept. 26, 2014	Broker	The Commenter is supportive of the proposed amendments. According to the Commenter’s opinion, the new methodology should add liquidity and help increase the open interest.	This supportive comment letter did not call for a response from the Bourse.
4.	Oct. 10, 2014	Broker	<p>The Commenter is supportive of the proposed amendments. According to the Commenter’s opinion, the benefits of the amendments will be:</p> <ul style="list-style-type: none"> - Will attract potential buy side clients who would enter the market and generate the critical mass to make the product a viable risk management tool for institutional investors and an effective price discovery mechanism for the underlying interest of the futures contracts; - Will attract players from the over-the-counter (OTC) swaps market to hedge or gain exposure to the five year markets; - Higher position limits will lead to the growth of the open interest. 	This supportive comment letter did not call for a response from the Bourse.