



CIRCULAR 101-22

August 11, 2022

**REQUEST FOR PROPOSAL: MARKET MAKING OF THE EXTENDED TRADING HOURS PERIOD
(BAX, CGZ, CGF, CGB, SXF)**

Bourse de Montréal Inc. (the “Bourse”) is issuing a Request for Proposal (“RFP”) for the market making of the products listed below during the following trading hours periods:

2:00 a.m. ET to 4:30 p.m. ET	<ul style="list-style-type: none"> • Three-Month Canadian Bankers’ Acceptance Futures (BAX)
8:00 p.m. ET (T-1) to 7:00 a.m. ET	<ul style="list-style-type: none"> • Two-Year Government of Canada Bond Futures (CGZ) • Two-Year and Five-Year Government of Canada Bond Futures spreads (3CGZ/1CGF) • Five-Year and Ten-Year Government of Canada Bond Futures outright (CGF & CGB) • Five-Year and Ten-Year Government of Canada Bond Futures spreads (2CGF/1CGB) • S&P/TSX 60 Index* Standard Futures (SXF)

This RFP is intended for approved participants and foreign approved participants, as well as for their eligible clients, interested in submitting proposals outlining their abilities and commitment towards market making activities for one or more of the designated products. The market making requirements and the conditions of the program are indicated in the attached RFP.

At the end of the RFP submission period, the Bourse may proceed with the selection of:

- up to five (5) market makers for BAX
- up to four (4) market makers among CGZ and CGZ/CGF spreads
- up to four (4) market makers among CGF & CGB outright and CGF/CGB spreads
- up to three (3) market makers for SXF



Proposed Timeline:

Implementation Timeline*	Event
August 11, 2022	Distribution of RFP
August 31, 2022	Deadline for delivery of Proposals to the Bourse
September 16, 2022	Deadline for notification of selected Market Makers
September 23, 2022	Deadline for signature of the Market Making Agreement
October 3, 2022	Launch of Market Making Programs

* *The proposed timeline is subject to change at the discretion of the Bourse.*

To access additional information about the Market Making Programs, as well as the Request for Proposal and Market Maker Application, please refer to Annex 1.

For additional information or questions, please contact David Helps, Head of International Business Development, at +44 (0) 7377 673 816 or by email at David.Helps@tmx.com.

Robert Tasca
Managing Director, Derivatives Products and Services

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MONTRÉAL EXCHANGE

Request for proposal

**EXTENDED TRADING HOURS MARKET
MAKING PROGRAMS**

BAX Three-Month Canadian
Bankers' Acceptance Futures

CGZ Two-Year Government
of Canada Bond Futures

CGF Five-Year Government
of Canada Bond Futures

CGB Ten-Year Government
of Canada Bond Futures

SXF S&P/TSX 60 Index*
Standard Futures

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Introduction and Purpose of the Request for Proposal

The Montréal Exchange (the “**Bourse**”) is inviting all approved participants/foreign approved participants or clients of approved participants/foreign approved participants with direct electronic access to the Bourse who are interested in the new market making programs described herein (the “**Market Making Programs**”) to submit a proposal outlining their abilities and commitment towards the market making of one or more of the Bourse’s futures contract(s) (a “**Proposal**”):

- Three-Month Canadian Bankers’ Acceptance Futures (BAX)
- Two-Year Government of Canada Bond Futures (CGZ)
- Two-Year and Five-Year Government of Canada Bond Futures 3:1 spreads (CGZ/CGF)
- Five-Year and Ten-Year Government of Canada Bond Futures outright (CGF & CGB)
- Five-Year and Ten-Year Government of Canada Bond Futures 2:1 spreads (CGF/CGB)
- S&P/TSX 60 Index* Standard Futures (SXF)

Background

The Bourse extended its trading hours into the European time zone on October 9, 2018 for all interest rate derivatives and on February 25, 2019 for all index futures. In light of its successful launch, on September 19, 2021 the Bourse further extended its trading hours into the Asian time zone. This move increased opportunities to hedge risk and optimize portfolios, and helped to enhance price transparency through frictionless trading on a global marketplace.

As part of its continued efforts to promote and foster market liquidity, the Bourse will implement new Market Making Programs for its flagship futures contracts.

Programs

Description of the Market Making Programs

As part of its efforts, the Bourse will proceed, if the responses submitted are satisfactory, with the selection of up to five (5) market makers for BAX, up to four (4) market makers among CGZ and CGZ/CGF spreads, up to four (4) market makers among CGF & CGB outright and CGF/CGB spreads, and up to three (3) market makers for SXF (the “**Market Makers**”), who will quote one or more of the Designated Contracts (as defined below).

Market making sessions will be:

2:00 a.m. ET to 4:30 p.m. ET	<ul style="list-style-type: none"> ● Three-Month Canadian Bankers' Acceptance Futures (BAX)
8:00 p.m. ET (T-1) to 7:00 a.m. ET	<ul style="list-style-type: none"> ● Two-Year Government of Canada Bond Futures (CGZ) ● Two-Year and Five-Year Government of Canada Bond Futures spreads (CGZ/CGF) ● Five-Year and Ten-Year Government of Canada Bond Futures outright contracts (CGF & CGB) ● Five-Year and Ten-Year Government of Canada Bond Futures spreads (CGF/CGB) ● S&P/TSX 60 Index* Standard Futures (SXF)

Eligibility and Selection Criteria

All approved participants/foreign approved participants or clients of approved participants/foreign approved participants of the Bourse are eligible to be appointed as a Market Maker.

The Bourse will consider the criteria listed in article 3.112 of its Rules in selecting the Market Makers, including:

- Technology: Automation capabilities which can be deployed to support efficient market making activities.
- Knowledge: The Market Makers will be required to have the necessary skills and experience for the market making of interest rate products.
- Compliance with rules: Only approved participants/foreign approved participants or clients of approved participants/foreign approved participants in good standing and in compliance with the Rules of the Bourse will be considered.

Designated Contracts

- Three-Month Canadian Bankers' Acceptance Futures (BAX); white (quarterly expiries 1–4) and red (quarterly expiries 5–8) outright contracts
- Two-Year Government of Canada Bond Futures outright contracts (CGZ)
- Two-Year and Five-Year Government of Canada Bond Futures spread contracts (3CGZ/1CGF)
- Five-Year and Ten-Year Government of Canada Bond Futures outright contracts (CGF & CGB)
- Five-Year and Ten-Year Government of Canada Bond Futures spread contracts (2CGF/1CGB)
- S&P/TSX 60 Index* Standard Futures (SXF) (the “**Designated Contracts**”)

Incentives

In exchange for meeting the market making obligations on one or more of Designated Contracts, the Bourse shall grant incentives to the Market Makers.



Full or partial incentives shall be paid monthly, subject to the Market Maker fulfilling the obligations contained in the Market Making Agreement signed with the Bourse.

Transaction and Clearing Fee Waivers

The Market Makers shall be eligible for fee waivers on the futures contracts for which they will be selected by the Bourse to make markets (the “**Selected Designated Contracts**”), comprising transaction fees and clearing fees. The fee waivers shall remain in effect for the duration of the Market Making Program. Transaction and clearing fee waivers shall be granted on eligible volume executed from 8:00 p.m. ET (T-1) to 7:00 a.m. ET for CGZ, CGZ/CGF, CGF & CGB, CGF/CGB and SXF (the “**Market Making Sessions**”).

The Market Makers shall not be granted transaction and clearing fee waivers for BAX. However, if they are part of the Volume Rebate Program (“VRP”), VRP comprising transaction and clearing fees will apply to eligible volumes.

Fixed Compensation

The Bourse will also grant a fixed compensation, referred to as the stipend, to the selected Market Makers, paid on a monthly basis for a period of one year. Fixed compensation shall be granted for the eligible Selected Designated Contracts. Eligible contracts for fixed compensation shall be BAX, CGZ, CGZ/CGF, CGF & CGB, CGF/CGB and SXF.

Duration of the Program

The duration of the Program will be one (1) year. The Market Makers will be required to sign a standard Market Making Agreement with the Bourse.

Market Making Requirements

The Market Makers will be required to post markets at the contracted minimum size and maximum spread (or better) for a predefined percentage of time (the “**Rate of Valid Presence**”). The agreement may also include other requirements.

Monitoring of Performance

The Bourse will monitor the Market Makers’ order-book activity to determine compliance with the obligations set forth in the Market Making Agreement. The Bourse shall be solely responsible for the monitoring of the Market Makers’ compliance with the Market Making Program obligations and the calculation of the corresponding incentives in accordance with the terms of the Market Making Agreement.

Application Process

To respond to this Request for Proposals (“RFP”), please provide the Bourse with a Proposal using the Market Maker Application form below, addressing the requirements and selection criteria outlined herein. All Proposals should be submitted to the contact person indicated below by no later than 5:00 p.m. Eastern Time (ET) on **August 31, 2022**.

Contact Information

For any questions or information, including confidential details regarding the market making requirements and/or incentives, please contact:

David Helps, Head of International Business Development
 Phone: +44 (0) 7377 673 816 | Email: David.helps@tmx.com

Timeframe

August 11, 2022	Distribution of RFP
August 31, 2022	Deadline for delivery of Proposals to the Bourse
September 16, 2022	Deadline for notification of the selected Market Makers
September 23, 2022	Deadline for signature of the Market Making Agreement
October 3, 2022	Launch of Market Making Programs

Market Maker Application

The Bourse will evaluate the Proposals based on the requirements and selection criteria described in this RFP. All Proposals should include a completed Market Maker Application attached (page 9).

Confidentiality

All documents submitted by respondents and the information contained in the Proposals shall be treated as confidential by the Bourse.

Evaluation

The objective of the evaluation process is to identify the Proposals that, in the discretion and assessment of the Bourse, most effectively meet the requirements and selection criteria provided for in this RFP. Any additional information provided by the respondents will also be considered if it is deemed to be the most beneficial to the Bourse’s market participants.

General Terms and Conditions

1. The Market Making Program is subject to the Rules of the Bourse and in the event of an inconsistency between the Market Making Program and the Rules of the Bourse, the latter shall prevail. However, where a term of the Market Making Program is more specific than or supplement the Rules, such more specific or supplementary term will apply.
2. The issuance of this RFP shall not cause any express or implied commitment or undertaking on the part of the Bourse and the Bourse is under no obligation or commitment, whatsoever, to accept any Proposal, select Market Maker(s) or implement the Program. The Bourse may cancel, amend or withdraw this RFP, at its own discretion, without prior notice.
3. All decisions will be made by the Bourse at its sole discretion, including regarding the selection of Market Maker(s), and shall be final and binding.
4. The Bourse shall not be liable for any fees, costs or expenses incurred by the respondent resulting from this RFP or any other request.
5. Proposals received after the deadline for Proposal submissions will only be accepted at the discretion of the Bourse.
6. All Proposals shall be binding for a period of 30 days following the deadline for Proposal submissions. Should a respondent wish to alter or amend a Proposal, it shall withdraw its original Proposal by delivering written notice via email to the contact person listed above, and submit a new Proposal prior to the deadline for Proposal submissions. The respondent may revoke its Proposal at any time prior to the deadline for Proposal submissions by delivering written notice via email to the contact person listed above.
7. The selected Market Maker(s) will be required to sign the same standard Market Making Agreement with the Bourse prior to being admitted into the Program. No incentives may be earned before the binding standard Market Making Agreement has been signed by the Bourse and the selected Market Maker(s).
8. The selected Market Maker(s) will be required to, directly or through their clearing member (responsible for the allocation process), set up a sub-account that can be recognized by the Bourse, and will also set up a Multi-Purpose sub-account (i.e. client netted account) at the Canadian Derivatives Clearing Corporation (CDCC).
9. If selected, the Market Maker consents to the disclosure of their status as a market maker on the Designated Contracts in any marketing efforts the Bourse deems appropriate, including, but are not limited to, the Bourse's website.
10. The Bourse reserves the right to terminate the Market Making Agreement or modify the Market Making Program upon 30-day written notice to the Market Maker(s).
11. The Bourse reserves the right to replace or appoint additional Market Maker(s) in instances including, but not limited to, where a Market Maker fails to fulfill the obligations set forth in the Market Making Agreement. The replacement or addition of a new Market Maker is at the sole discretion of the Bourse, and can be completed by selecting a Market Maker that originally submitted a Proposal or by re-opening this RFP. The Bourse reserves the right to change the terms of this RFP or to reopen it after the deadline for Proposal submissions without prior notice.

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Market Maker Application

Conditions for Applying for Market Maker Status
<p>Applicants shall meet the criteria listed in article 3.112 of the Rules of the Bourse, including:</p> <ol style="list-style-type: none"> 1. Have adequate financial capital to support market making obligations; 2. A history of compliance with the regulation of the Bourse; 3. A reliable trading infrastructure, risk management system and technology to support electronic trading, as well as adequate operational capacity; 4. Experience with trading similar derivative instruments; 5. Willingness to promote the Bourse as a marketplace; 6. Willingness to sign a Market Making Agreement; 7. Any other factors deemed relevant by the Bourse. <p>Additional criteria for client market makers:</p> <ol style="list-style-type: none"> 1. Client agrees to be subject to the jurisdiction of the Bourse’s Regulatory Division with respect to its trading activity and conduct as a market maker during the term of the market making assignment; 2. Client must obtain the acknowledgement of the approved participant providing it with electronic access.

General Information
Firm name:
Address:
Firm Division:
Authorized Contact name:
Title:
Phone:
Email:

Market Making status	
Approved Participant (AP) / Foreign Approved Participant (FAP)	<input type="checkbox"/>
Client of an AP/FAP	<input type="checkbox"/>
Designated Contracts (specify category & name contracts)	
Equity and ETF Options	<input type="checkbox"/> _____
Index Options	<input type="checkbox"/> _____
Currency Options	<input type="checkbox"/> _____
Index Futures	<input type="checkbox"/> _____
Share Futures	<input type="checkbox"/> _____
STIR Futures	<input type="checkbox"/> _____
Bond Futures	<input type="checkbox"/> _____
Options on STIR Futures	<input type="checkbox"/> _____
Options on Bond Futures	<input type="checkbox"/> _____
Market Making Capital	
Equal or greater than C\$250,000?	<input type="checkbox"/> YES <input type="checkbox"/> NO As of Date: _____
Other Exchange Memberships	

Information on Technology	
Description of technology supporting electronic trading, trading tools and infrastructure:	
Adequate personnel in place to support:	
On-screen quoting functions:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Trading functions:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Name of Independent Software Vendors (ISVs):	
Description of Access to Contract's Underlying Market :	
Description of Risk Management Tools:	
Additional Safeguards (if applicable):	N/A <input type="checkbox"/>
Operational Capacity	
Description of ability to manage operational tasks (trade allocation, reconciliation, administration of rebates, etc.):	
Adequate personnel in place to support:	
Operational functions:	<input type="checkbox"/> YES <input type="checkbox"/> NO

Name of Clearing Member:

In the case of client market makers, established relationships with an active execution broker?

YES NO

Market Making & Trading Experience

Number of years market making similar contracts:

Number of years trading similar contracts :

Description of general experience (products, venues):

Description of experience trading Montréal Exchange (MX) products and participation in MX market making or other commercial programs:

COMMITMENT TO DESIGNATED CONTRACTS				
Firms may apply to multiple programs, but may be selected for only one.				
Contracts	Committed Size		Committed Spread	
Three-Month Canadian Bankers' Acceptance Futures (BAX) Whites & Reds <input type="checkbox"/> Outrights	Whites 2:00 a.m. ET to 7:00 a.m. ET	-----	Whites 2:00 a.m. ET to 7:00 a.m. ET	-----
	Whites 7:00 a.m. ET to 4:30 p.m. ET	-----	Whites 7:00 a.m. ET to 4:30 p.m. ET	-----
	Reds 2:00 a.m. ET to 7:00 a.m. ET	-----	Reds 2:00 a.m. ET to 7:00 a.m. ET	-----
	Reds 7:00 a.m. ET to 4:30 p.m. ET	-----	Reds 7:00 a.m. ET to 4:30 p.m. ET	-----
Two-Year Government of Canada Bond Futures (CGZ) <input type="checkbox"/> Outrights and/or Two-Year and Five-Year Government of Canada Bond Futures (3CGZ/1CGF) <input type="checkbox"/> Spreads	-----		-----	

<p>Five-Year Government of Canada Bond Futures (CGF) & Ten-Year Government of Canada Bond Futures (CGB)</p> <p><input type="checkbox"/> Outrights</p> <p>and/or</p> <p>Five-Year and Ten-Year Government of Canada Bond Futures (2CGF/1CGB)</p> <p><input type="checkbox"/> Spreads</p>	<p>-----</p> <p>-----</p>	<p>-----</p> <p>-----</p>
<p>S&P/TSX 60 Index* Standard Futures (SXF)</p>	<p>-----</p>	<p>-----</p>
<p>Best efforts to post a continuous basis market (if applicable):</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>	
<p>Best efforts to provide block markets upon request:</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	

What are the advantages of your market making abilities over other firms?

Acknowledgment and Signature

The Applicant attests the information provided herein is complete and accurate.

Signature of Authorized Contact:

Date: