



CIRCULAR 117-21

June 28, 2021

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. CONCERNING EQUITY INDEX & SHARE FUTURES EXCHANGE FOR RISK (“EFR”) TRANSACTIONS

On May 11, 2021, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to Article 6.208 of the Rules of the Bourse concerning equity index and share futures Exchange for Risk (“EFRs”) transactions in order to bring clarity to the types of equity index swaps that are permitted within EFR rules and provide more flexibility. These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

These amendments attached herewith will become effective on **July 9, 2021**, after market close. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

The amendments described in the present circular were published for public comment by the Bourse on May 18, 2021 (see circular [089-21](#)). Further to the publication of this circular, no comment was received by the Bourse.

For additional information, please contact Sophie Brault, Legal Counsel, at 514-268-0591 or at sophie.brault@tmx.com.

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Bourse de Montréal Inc.

MODIFIED VERSION

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 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.
- (i) An EFRP Transaction is permitted to be executed off of the Trading System pursuant to Article 6.204 if such Transaction is conducted in accordance with each of the requirements and conditions of this Article.

[...]

- (c) EFRs. EFR Transactions on the following Futures Contracts and the related OTC Derivative Instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable Over-the-Counter Derivative Instrument
[...]	
Stock Index	<p>i) Index Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • <u>Plain vanilla Total return</u> swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), basket of Securities or a stock Index, • Denominated in currency of G7 country, and • Correlation R= <u>0.970</u> or greater, using a generally accepted methodology; <p>or</p> <p>ii) Any individual or combination of OTC equity or stock Index option positions;</p> <p>or</p> <p>iii) Index Forwards:</p> <p>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), basket of Securities or stock Index at a predetermined price for settlement at a future date.</p>

Shares	<p>i) Equity Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • <u>Plain-vanilla Total return</u> swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), trust unit, basket of Securities or a stock Index, • Denominated in currency of G7 country; <p>or</p> <p>ii) Any individual or combination of OTC equity Option positions;</p> <p>or</p> <p>iii) Equity Forwards: Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), trust unit, basket of Securities or stock Index at a predetermined price for settlement at a future date.</p>
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