



CIRCULAR 124-22

October 25, 2022

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. TO MODIFY THE DELIVERY PERIOD OF THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURES (LGB)

On July 11, 2022, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to the Rules of the Bourse in order to modify the delivery period of the 30-year government of Canada Bond Futures (LGB). The amendments will apply to the March 2023 LGB contract and all subsequent contract months. These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

The amendments attached herewith will become effective on **December 30th, 2022**, after market close, so that there is no impact on the December 2022 LGB contract. As stated previously, the March 2023 LGB contract and all subsequent contract months will be subject to these new rules regarding the delivery period. Please note that the revised article will also be available on the Bourse’s website (www.m-x.ca) on December 30th, 2022, after market close.

The amendments described in the present circular were published for public comment by the Bourse on July 19, 2022 (see Circular 084-22). Further to the publication of this circular, the Bourse 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 Dima Ghozaiel, Legal Counsel, by email at dima.ghozaiel@tmx.com.

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Bourse de Montréal Inc.

BLACKLINE VERSION

Article 12.412 Delivery Standards

(a) For Thirty-year Government of Canada Bond Futures, shall be deliverable only those Government of Canada Bond issues which:

[...]

(iii) are originally issued at 30-year auctions (a Bond not issued at a 30-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding ~~the first Delivery notice day of~~ the Delivery Month, its re-openings total a minimum nominal amount of \$3.5 billion);

(iv) are issued and delivered on or before the 15th day preceding ~~the first Delivery notice day corresponding to~~ the Delivery Month of the contract;

Article 12.414 Submission of Delivery Notice

To initiate the Delivery process, an Approved Participant holding a Short Position must submit a Delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation ~~on the last Trading Day any business day, between the second business day preceding the first business day of the Delivery Month, and the second business day preceding the last business day of the Delivery Month, inclusively.~~

Article 12.416 Delivery Day

Delivery of Thirty-year Government of Canada Bond Futures shall be done on the second business day following the submission of the Delivery notice by the Approved Participant holding a Short Position, or on any other day as determined by the Clearing Corporation. Delivery shall be completed ~~no later than two business days following the last Trading Day the last business day~~ of the Delivery Month.

Article 6.309B Position Limits for Futures Contracts

(b) (ii) For the first Delivery Month 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 is 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 ~~market close the start of trading~~ on the ~~fourth first~~ business day prior to the first

~~Delivery notice~~ business day of the first Delivery Month. Such position limits become effective at the market close on the first business day of the first Delivery Month.

CLEAN VERSION

Article 12.412 Delivery Standards

(a) For Thirty-year Government of Canada Bond Futures, shall be deliverable only those Government of Canada Bond issues which:

[...]

(iii) are originally issued at 30-year auctions (a Bond not issued at a 30-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the Delivery Month, its re-openings total a minimum nominal amount of \$3.5 billion);

(iv) are issued and delivered on or before the 15th day preceding the Delivery Month of the contract;

Article 12.414 Submission of Delivery Notice

To initiate the Delivery process, an Approved Participant holding a Short Position must submit a Delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation on the last Trading Day of the Delivery Month.

Article 12.416 Delivery Day

Delivery of Thirty-year Government of Canada Bond Futures shall be done on the second business day following the submission of the Delivery notice by the Approved Participant holding a Short Position, or on any other day as determined by the Clearing Corporation. Delivery shall be completed no later than two business days following the last Trading Day of the Delivery Month.

Article 6.309B Position Limits for Futures Contracts

(b) (ii) For the first Delivery Month 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 is 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 market close on the fourth business day prior to the first business day of the first Delivery Month. Such position limits become effective at the market close on the first business day of the first Delivery Month.

Circular 084-22 : AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC.
TO MODIFY THE DELIVERY PERIOD OF THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURES (LGB)
Summarized comments received on August 9, 2022 and responses from the Bourse

No.	Category of Participant	Summary of comments	Summary of responses
1.	Bank	<p>The Bank welcomes the opportunity to comment on the Montreal Exchange's Circular 084-22, Amendments to modify the Delivery Period of the 30-Year Government of Canada Bond Futures (LGB).</p> <p>The Bank does not have any material objections in principle. We would note that forcing delivery on one specific date could heighten the risks around failed settlements and credit limitations with clearing agents. We also believe that the integrity of the MX offering suffers when modifications are made in such a short order following a product launch.</p> <p>The Bank is of the view that the designated market makers, who participated in a broad RFP process, should not be able to influence the terms of the agreement in their benefit after the fact due to an inability to execute on the original outlined terms. We remain supportive of initiatives that look to improve liquidity for all participants in the Canadian fixed income markets.</p>	<p>Thank you for taking the time to review the Bourse's proposed amendments to the LGB contract. The Bourse truly values your bank's feedback and perspective on the outlined proposal.</p> <p>Please rest assured that the Bourse's decision follows strict standards and is not contingent upon the influence of designated market makers. Our proposal considers feedback from the industry, and key participants; more importantly, it is targeted at improving the liquidity standards and viability of the LGB contract. While the Bourse strives to design suitable product specifications right from the launch, adjustments are often required as market conditions evolve. The delivery basket specification change to the 5Y Government of Canada bond futures (CGF) shortly after its launch is one such instance, where the amendment helped generate growth in the product and for which the Bank was a key partner. The Bourse also acknowledges your comments regarding the settlement process and while the reduced delivery period should alleviate the uncertainty around delivery, it remains a key consideration for the Bourse. The Bourse adds that these risks are also present today, as large open positions could be delivered on any day of the delivery month.</p> <p>The Bourse believes that having specific delivery dates will, on the other hand, help to improve the process by providing more transparency with respect to the delivery day and the number of contracts. In addition, all participants will have this information in advance, which will allow them to be better prepared from an operational point of view.</p>



			Thank you for your consideration.
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