



**CIRCULAR 129-21**

July 12, 2021

**SELF-CERTIFICATION**

**AMENDMENTS TO APPENDIX 6E4.1 OF THE RULES OF BOURSE DE MONTRÉAL INC. TO MODIFY THE MINIMUM THRESHOLDS APPLICABLE TO THE THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACT DAILY SETTLEMENT PRICE PROCEDURE**

On May 11, 2021, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to Appendix 6E4.1 of the Rules of the Bourse in order to modify the minimum thresholds defined in the daily settlement price procedure of the Three-Month Canadian Bankers’ Acceptance futures contract (“**BAX**”). 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 16, 2021**, after market close. Please note that the revised articles will also be available on the Bourse’s website ([www.m-x.ca](http://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 [088-21](#)). 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 Adam Allouba, Chief Legal Officer, at 514-871-3500 or by email at [adam.allouba@tmx.com](mailto:adam.allouba@tmx.com).

Adam Allouba  
Chief Legal Officer  
Bourse de Montréal Inc.

**Appendix 6E4.1 THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)**

The daily Settlement Price procedure for the Three-Month Canadian Bankers' Acceptance Futures contract (BAX) is executed by a fully automated pricing algorithm which utilizes the parameters described in paragraphs (b), (c) and (d) of Appendix 6D-4.1 to ensure accuracy in the process.

(a) Definitions:

[...]

(iii) "Minimum Threshold" means the applicable threshold for BAX will be:

- (1) ~~75~~ 100 contracts for the first four quarterly contract months ("whites");
- (2) ~~50~~ 75 contracts for quarterly contract months 5 to 8 ("reds"); and
- (3) ~~25~~ 50 contracts for quarterly contract months 9 to 12 ("greens").

[...]

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**Circular 088-21: Summarized comments and responses**

**“AMENDMENTS TO APPENDIX 6E4.1 OF THE RULES OF BOURSE DE MONTRÉAL INC. TO MODIFY THE MINIMUM THRESHOLDS APPLICABLE TO THE THREE-MONTH CANADIAN BANKERS’ ACCEPTANCE FUTURES CONTRACT DAILY SETTLEMENT PRICE PROCEDURE”**

No.	Date comments received	Participant Category	Summary of comments	Summary of responses
1.	May 20, 2021	Firm	<p>We would like to bring to your attention the following statement found in II. Proposed Amendments section of the 088-21 circular:</p> <p><i>“It should be noted that the amendments proposed by the Bourse will not change the methodology set forth in the procedure and the automated pricing algorithm will not be modified except for the minimum number of contracts required for each BAX contract year.”</i></p> <p>It is in our opinion that the methodology of the procedure needs to be changed. From our stand point, given how thick in volume the butterfly market is, new threshold lots traded should be taken into consideration using last minute lots traded as long as prices do not settle through the bid or offer of the butterflies. With the current methodology, prices will trade with few lots and butterflies would settle through bids or offers where these bids and offers that are much thicker in size than the lots traded to determine settlements.</p>	<p>Regarding the determination of the minimum thresholds, the Bourse is of the opinion that transactions should be favored over the observable posted market when possible. As such, the new levels were determined to maximize the likelihood that transactions are used by the daily pricing algorithm. They are based on internal data analysis and take into account the fact that 1) liquidity conditions are not necessarily the same for all 4 contracts in a BAX expiry year, and 2) liquidity conditions can vary a lot on a day-to-day basis.</p> <p>The Bourse believes that the comment received is not against an increase of the minimum thresholds, but rather an opinion that they could have been increased even more. The Bourse acknowledges that and will continue to monitor market conditions and evaluate the relevance of their levels going forward. Nevertheless, the Bourse is happy to see that its objective of increasing the robustness and effectiveness of the daily settlement price for participants involved in the BAX market is aligned</p>

				<p>with the comment received. In that sense, higher thresholds make it more difficult and costly for participants to have an influence on the settlement price, which is desirable.</p> <p>Regarding the comment on the inclusion of the BAX butterfly market into the daily settlement price determination process, the Bourse would like to point out that transactions on such strategies are already taken into account, as for transactions in outright contracts and in spreads strategies. It is worth mentioning the relative weights of butterfly transactions in the daily settlement algorithm has been reviewed in February 2016 , to reflect the fact that they bear lower risk and lower margins. Additionally, as part of the same analysis, a consultation was made with market participants and it was determined that BAX daily settlement prices should respect the bid/ask price of the individual BAX contract.</p> <p>Finally, the Bourse had very little complaints during the time the lower thresholds were in application and as such, feel that its daily settlement algorithm performed well.</p> <p>Based on the above, the Bourse didn't consider the comment to be opposed to the implementation of the new minimum thresholds for the BAX daily settlement price procedure.</p>
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