



CIRCULAR 149-19
November 21, 2019

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. REGARDING POSITION LIMITS

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) and the Special Committee of the Regulatory Division of the Bourse approved amendments to the Rules of the Bourse as part of a complete revision of the Bourse's (i) methodology to set position limits for all of its products and (ii) approach to apply those limits.

Comments on the proposed amendments must be submitted at the latest on **January 21, 2020**. Please submit your comments to:

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A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

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Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file. Unless specified otherwise, comments will be published anonymously by the Bourse.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization ("**SRO**") by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the "**Division**"). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee (the "**Special Committee**") appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.

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**AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. REGARDING
POSITION LIMITS**

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I. SUMMARY

Bourse de Montréal Inc. (the “Bourse”) and its Regulatory Division (the “Division”) have undertaken a complete revision of the Bourse’s (i) methodology to set position limits for all of its products and (ii) approach to apply those limits.

The Bourse has the responsibility to operate in a manner that counters market abuse and manipulation, fraud and deceptive trading¹, and fosters fair and orderly markets in the public interest. As such, the Bourse is committed to establishing position limits at levels that are low enough to ensure these limits are effective at preventing market abuse, but sufficiently high as to avoid adverse impacts on the market such as hampering liquidity or price discovery. In its review, the Bourse took into consideration comments received from Participants on past amendments to the Rules of the Bourse (the “Rules”) as well as comments recently gathered for the purpose of this exercise.

Based on this analysis, the Bourse is proposing several amendments to the Rules on the methodology and approach for setting and applying position limits to all interest rate cash settled products², which include the Canadian Bankers’ Acceptance Futures contract (BAX), the Government of Canada Bond Futures contracts, and certain equity-based derivatives like equity-holding ETFs Options, interlisted Equity Options and broad-based index Options and Futures. Moreover, for Options, the Bourse proposes to broaden the list of defined hedges which are approved by the Bourse.

The Bourse also proposes to make the following changes applicable to all Listed Products regarding position limits: (i) introducing new provisions applicable to the launch of new products or the revitalization of any listed products having no or minimal open interest; (ii) for clarity, adding in its Rules, an article allowing the Division to establish different position limits for specific Approved Participants or their clients, not exceeding those either prescribed in the Rules or published; and (iii) finally, streamlining the exemption process.

II. PROPOSED AMENDMENTS

The Bourse proposes to centralize the position limits of all products within two articles: 6.309A (previously 6.309) for Options and Share Futures Contracts, and new 6.309B for Futures Contracts. In doing so, the Bourse also proposes to modify each product-specific articles that refer to position limits and that are located in various chapters of the Rules in order to replace the content of these articles in favor of a reference to either 6.309A or 6.309B, where applicable.

The Bourse further proposes to make certain modifications to articles 6.310 to 6.319 as well as to *Appendix 6D POLICY C-1: EXEMPTION REQUEST FROM A POSITION LIMIT* of the Rules, which modifications are detailed in this document.

The proposed amendments are attached hereto as Appendix 1.

¹ Article 41, Derivatives Act, chapter I-14.01.

² On Friday June 7, 2019, after market close, the Bourse discontinued, for an indefinite period of time, the 30-Day Overnight Repo Rate Futures (ONX) and the Overnight Index Swap Futures (OIS) as per Circulars [083-19](#) and [084-19](#).

The Bourse is currently working on listing new products for which position limits are to be determined. Should the Bourse launch those new listed products prior to the self-certification of the amendments to the Rules proposed herein, upon self-certification of the Rules proposed herein, the articles related to the position limits of these new products will be amended/abrogated in accordance with the methodology in this proposal. The Division could also use its discretion to establish appropriate position limits for new products as proposed herein. This would occur without the need for additional Rule amendments.

III. ANALYSIS

a. Background

In March 2017, the Bourse proposed amendments to the Rules to double the position limit thresholds on equity-holding exchange-traded funds (“ETFs”) which became effective on December 13, 2017 ([Circular 175-17](#)). These modifications were a temporary solution to the constraints resulting from the methodology used to set the position limits of ETFs options while the Bourse completed a more holistic review of its approach. Accordingly, the Bourse has undertaken the current review as outlined in the previous section.

b. Objectives

The Bourse and the Division have defined the following objectives as part of their revision to identify the most appropriate methodology for setting position limits:

- a) To prevent the accumulation of large positions of derivatives that could lead to disorderly price discovery or market manipulation, while ensuring sufficient market liquidity of the derivatives and indirectly protecting the price discovery mechanisms of the underlying market.
- b) To establish position limits that are not too low, thereby preventing legitimate market activities and the holding of legitimate large positions.
- c) To favor orderly delivery for physically delivered derivatives.

Having these objectives in perspective, the Bourse and the Division have considered, among other things, the characteristics of the products (eg. physically delivered or cash settled), the underlying instrument (index, ETFs, government bond, equity, etc.), the purpose of the activity (hedging or speculation), the types of defined hedges approved by the Bourse, the fact that new products or products having no or minimal open interest may require a different approach to position limits, and the timing of publishing new position limits.

c. Proposal and analysis

The proposed amendments to the Rules are presented under three categories: Interest Rate Derivatives, Equity Derivatives and General Provisions.

1. Interest Rate Derivatives

1.1 All Interest Rate Cash Settled Products³

Compared to other interest rate futures contracts listed on international derivatives exchanges, the Bourse uses a much more conservative approach on its Three-Month Canadian Bankers' Acceptance Futures contract (BAX) and Options on BAX (OBX, OBW, OBY and OBZ) by having position limits for all contract months⁴. The majority of its peer short-term interest rate futures contracts, including the Eurodollar and 30-Day Federal Funds futures on CME⁵, 3-month Euribor and 3-Month Sterling futures on ICE Futures Europe and 90-Day Bank Bill futures on ASX⁶, do not have position limits.

The open interest in the BAX contract needs to be viewed in the context of the short-term interest rate market rather than on a stand-alone basis. Based on an assessment performed in September 2018 by the CARR Working Group⁷, open interest in the BAX contract represented less than 10% of the total derivatives market referencing CDOR.

Setting appropriate position limits is necessary, especially on futures contracts that involve the physical delivery of an underlying asset to ensure that the open futures positions do not exceed what is actually available for delivery. The position limits on these products in turn ensure that there is orderly pricing on the underlying and that no one single position holder corners the market. This is not the case for cash-settled futures because at expiry, there is no physical delivery of the underlying asset. This is especially true in the case of the BAX contract; there is no delivery of the underlying instrument, namely Canadian bankers' acceptances with a three-month maturity. Therefore, at expiry there is an exchange of cash between counterparties that is calculated as the difference between the price at which the position was obtained and the final settlement price (which is itself based on the "Canadian Dollar Offered Rate" (CDOR)) as provided under article 12.14 of the Rules).

Consequently, the Bourse is of the view that it would be appropriate to eliminate the current position limits applicable to all Settlement Months combined on the Bourse's BAX contract as there is no risk of cornering the underlying market.

On the other hand, the Bourse considers it important to have position limits applicable to the near-month contracts during the Settlement Month to minimize the potential manipulation of the cash settlement price.

The Bourse considers that such position limits would provide additional confidence in the integrity of the market and reduce the risk of large positions being held into expiry

³ On Friday June 7, 2019, after market close, the Bourse discontinued, for an indefinite period of time, the 30-Day Overnight Repo Rate Futures (ONX) and the Overnight Index Swap Futures (OIS) (Circulars [083-19](#) and [084-19](#)).

⁴ For the remainder of the analysis that refers to the BAX futures contracts, the corresponding options on BAX shall also be included.

⁵ Although these CME futures contracts are not subject to position limits, they are subject to position accountability levels.

⁶ ASX plans to change the settlement method of this futures contract from deliverable to cash settled by 2020 and to implement a position limit on the front month contract near the expiry day.

⁷ <https://www.bankofcanada.ca/wp-content/uploads/2018/10/CDOR-CORRA-in-Financial-Markets-%E2%80%93Size-and-Scope.pdf>

that could have a potential negative impact on market orderliness. Such position limits would assist in ensuring orderly trading into the expiry period and reduce potential manipulation of the cash settlement price. Implementing position limits for Settlement Months is a valid risk management practice that decreases the potential for unintended price discrepancies.

Although the CME does not impose position limits on similar products, it does have in place a position accountability level methodology that allows for the monitoring of positions on a continuous basis⁸. ASX, which is in the process of converting its short-term interest rate futures contract 90-Day Bank Bill from deliverable to cash settled, plans to put in place a position limit on the business day preceding the expiry of the contract⁹.

Having considered the different methodologies in the context of its market, the Bourse proposes a similar, but more conservative approach to the one the ASX intends to implement. The Rules will be amended to eliminate position limits for all months except for the month where a quarterly BAX contract will be settled, and the serial months. As for the position limits applicable to the near-month quarterly contract and the two following serial contracts, they will be established and published by the Division on a quarterly basis.

With the proposed changes, applicable during their respective settlement month, for the near-month quarterly BAX contracts and the two related serial contracts, the position limit will be set at 25% of the average daily open interest of the quarterly BAX contract during the three calendar months preceding the month prior to its Settlement Month (e.g. for the Settlement Month of the quarterly June contract and for each of the July and August serial contracts, the limit would reflect a percentage of the average daily open interest of the quarterly June contract during the months of February, March and April). The new position limit will be published at mid-month before the Settlement month of the near-month quarterly contract in order to become effective at the close on the first business day of the expiry month for the near-month quarterly contract and for each of the two serial contracts.

The Bourse has calculated theoretical position limits of the expiring BAX contracts in each Settlement Month assuming this new methodology had been in place from January 2017 to August 2019, and the results are detailed in Table 1 below :

Table 1: Theoretical BAX position limits for the Settlement Month

Month/Year	Settlement Month Position Limit as per new proposed calculation
3/4/5/2017	65,251
6/7/8/2017	45,023

⁸ <https://www.cmegroup.com/rulebook/files/cme-group-Rule-562.pdf>

⁹ <https://www.asx.com.au/documents/public-consultations/bank-bill-consultation-feedback.pdf>

9/10/11/2017	38,130
12/2017 and 1/2/2018	53,122
3/4/5/2018	46,621
6/7/8/2018	40,662
9/10/11/2018	42,712
12/2018 and 1/2/2019	45,258
3/4/5/2019	45,269
6/7/8/2019	46,538

1.2 Government Bond Futures and Options on Government Bond Futures

1.2.1 Position limits for all expiration months combined

Currently, position limits for all expiration months combined for each designated Government of Canada Bond Futures contract are calculated and published on a monthly basis by the Division. Position limits for all expiration months combined for each of the futures contracts (CGZ, CGF, CGB, LGB) is equal to half the sum of 20% of the total outstanding deliverable bonds of the front delivery month, and the greater of: (1) 4,000 contracts; or (2) 20% of the average daily Open Interest for all delivery months during the preceding three calendar months. This methodology also applies to position limits for Options on the above mentioned futures contracts, where available (e.g. OGB - Options on Ten-Year Government of Canada Bond Futures) and in determining position limits, Options on Futures Contract positions must be aggregated with the underlying Futures Contract positions with each Option aggregated as the equivalent of a futures contract.

The Bourse has observed that the application of this methodology results, for certain products, in monthly variations of position limits which at times may be significant (up to a 52% variation compared to previous limits). The Bourse recognizes that this can be challenging and might create unnecessary market frictions. In particular, this phenomena has been highlighted by the recent relaunch of the Five-Year Government of Canada Bond Futures (CGF), for which large monthly variations have been observed in the position limits (see Table 3 below). Having a lot of variations in position limits on a monthly basis leads to uncertainty and may impact the growth and development of a contract.

Therefore, with the objective of reducing the observed monthly fluctuation, the Bourse proposes to modify one of the components of the current position limit calculation methodology. Rather than taking into account 20% of the total outstanding deliverable bonds of the front delivery month, position limits for all expiration months combined would be calculated using 20% of the average of the outstanding deliverable bonds for the four last delivery months including the front delivery month.

Moreover, the Bourse proposes that for all expiration months combined for each designated Government of Canada Bond Futures contract, the new position limits would be established and published on a quarterly basis, at mid-month of the delivery month in order to become effective on the first business day of the following month.

The Bourse has analysed the impact of such modification on each Government of Canada Bond Futures contract (CGZ, CGF, CGB, LGB) for the period January 2017 to August 2019. The new limits show less variation from month to month, the greatest variation being 9%, as detailed in Tables 2 to 5 below :

Table 2: CGZ Monthly variation of monthly position limits for all expiry months combined

Month/Year	Position Limit as per current calculation	Variation (%) from month to month	Position Limit as per new proposed calculation	Variation (%) from quarter to quarter
1/2017	15,650	N/A	22,713	N/A
2/2017	17,600	12%	22,713	
3/2017	21,500	22%	22,713	
4/2017	15,650	-27%	21,313	-6%
5/2017	17,600	12%	21,313	
6/2017	19,550	11%	21,313	
7/2017	15,650	-20%	20,450	-4%
8/2017	19,550	25%	20,450	
9/2017	21,500	10%	20,450	
10/2017	15,650	-27%	20,525	0%
11/2017	17,600	12%	20,525	
12/2017	21,200	20%	20,525	
1/2018	15,200	-28%	20,938	2%
2/2018	17,000	12%	20,938	
3/2018	20,300	19%	20,938	
4/2018	14,000	-31%	20,638	-1%
5/2018	15,500	11%	20,638	
6/2018	17,000	10%	20,638	
7/2018	12,800	-25%	20,000	-3%
8/2018	14,300	12%	20,000	
9/2018	15,800	10%	20,000	
10/2018	12,500	-21%	18,575	-7%

11/2018	14,000	12%	18,575	
12/2018	17,000	21%	18,575	
1/2019	12,500	-26%	17,525	-6%
2/2019	14,000	12%	17,525	
3/2019	15,500	11%	17,525	
4/2019	12,500	-19%	16,325	-7%
5/2019	14,000	12%	16,325	
6/2019	15,500	11%	16,325	
7/2019	11,000	-29%	15,950	-2%
8/2019	14,000	27%	15,950	

Table 3: CGF Monthly variation of monthly position limits for all expiry months combined

Month/Year	Position Limit as per current calculation	Variation (%) from month to month	Position Limit as per new proposed calculation	Variation (%) from quarter to quarter
1/2017	24,500	N/A	27,225	N/A
2/2017	28,300	16%	27,225	
3/2017	32,000	13%	27,225	
4/2017	17,000	-47%	28,025	3%
5/2017	17,000	0%	28,025	
6/2017	24,800	46%	28,025	
7/2017	24,800	0%	28,025	0%
8/2017	28,700	16%	28,025	
9/2017	32,600	14%	28,025	
10/2017	17,600	-46%	28,475	2%
11/2017	21,500	22%	28,475	
12/2017	25,200	17%	28,475	
1/2018	25,200	0%	28,600	0%
2/2018	28,900	15%	28,600	
3/2018	32,600	13%	28,600	
4/2018	17,000	-48%	28,750	1%
5/2018	17,000	0%	28,750	
6/2018	23,000	35%	28,750	

7/2018	23,000	0%	28,300	-2%
8/2018	26,000	13%	28,300	
9/2018	29,000	12%	28,300	
10/2018	14,000	-52%	27,400	-3%
11/2018	17,000	21%	27,400	
12/2018	20,000	18%	27,400	
1/2019	20,000	0%	26,150	-5%
2/2019	23,000	15%	26,150	
3/2019	26,404	15%	26,150	
4/2019	14,905	-44%	25,405	-3%
5/2019	19,544	31%	25,405	
6/2019	24,364	25%	25,405	
7/2019	24,859	2%	27,109	7%
8/2019	28,970	17%	27,109	

Table 4: CGB Monthly variation of monthly position limits for all expiry months combined

Month/Year	Position Limit as per current calculation	Variation (%) from month to month	Position Limit as per new proposed calculation	Variation (%) from quarter to quarter
1/2017	74,595	N/A	74,891	N/A
2/2017	76,035	2%	74,891	
3/2017	79,720	5%	74,891	
4/2017	80,120	1%	77,633	4%
5/2017	79,935	0%	77,633	
6/2017	85,635	7%	77,633	
7/2017	78,165	-9%	82,617	6%
8/2017	79,570	2%	82,617	
9/2017	79,600	0%	82,617	
10/2017	79,570	0%	84,972	3%
11/2017	87,920	10%	84,972	
12/2017	87,935	0%	84,972	
1/2018	88,620	1%	88,534	4%

2/2018	89,241	1%	88,534	
3/2018	97,040	9%	88,534	
4/2018	98,100	1%	95,365	8%
5/2018	100,760	3%	95,365	
6/2018	101,690	1%	95,365	
7/2018	90,100	-11%	96,037	1%
8/2018	87,670	-3%	96,037	
9/2018	83,145	-5%	96,037	
10/2018	83,810	1%	90,765	-5%
11/2018	95,715	14%	90,765	
12/2018	95,745	0%	90,765	
1/2019	94,440	-1%	95,125	5%
2/2019	95,620	1%	95,125	
3/2019	97,300	2%	95,125	
4/2019	100,255	3%	98,462	4%
5/2019	106,365	6%	98,462	
6/2019	108,220	2%	98,462	
7/2019	92,675	-14%	101,977	4%
8/2019	91,035	-2%	101,977	

Table 5: LGB Monthly variation of monthly position limits for all expiry months combined

Month/Year	Position Limit as per current calculation	Variation (%) from month to month	Position Limit as per new proposed calculation	Variation (%) from quarter to quarter
1/2017	41,890	N/A	35,897	N/A
2/2017	30,500	-27%	35,897	
3/2017	30,500	0%	35,897	
4/2017	30,500	0%	33,048	-8%
5/2017	30,500	0%	33,048	
6/2017	31,700	4%	33,048	
7/2017	31,700	0%	30,063	-9%
8/2017	31,700	0%	30,063	

9/2017	32,900	4%	30,063	
10/2017	32,900	0%	31,300	4%
11/2017	33,300	1%	31,300	
12/2017	33,300	0%	31,300	
1/2018	33,300	0%	32,100	3%
2/2018	33,300	0%	32,100	
3/2018	33,300	0%	32,100	
4/2018	33,300	0%	32,800	2%
5/2018	33,300	0%	32,800	
6/2018	33,300	0%	32,800	
7/2018	33,300	0%	33,200	1%
8/2018	33,300	0%	33,200	
9/2018	36,800	11%	33,200	
10/2018	37,200	1%	34,175	3%
11/2018	38,200	3%	34,175	
12/2018	38,200	0%	34,175	
1/2019	38,200	0%	35,400	4%
2/2019	38,600	1%	35,400	
3/2019	38,600	0%	35,400	
4/2019	38,600	0%	36,725	4%
5/2019	40,000	4%	36,725	
6/2019	40,000	0%	36,725	
7/2019	40,000	0%	38,400	5%
8/2019	40,000	0%	38,400	

1.2.2 Position limits for the first delivery month

Currently, position limits for the first delivery month for each designated Government of Canada Bond Futures contract are calculated and published on a quarterly basis by the Division. Position limits for the first delivery month for each futures contract (CGZ, CGF, CGB, LGB) 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 the start of trading on the first business day prior to the first delivery notice day of the first delivery month. This methodology also applies to

position limits for Options on the above mentioned Futures contracts, where available (e.g. OGB).

The Division establishes and publishes these position limits. Generally, the circular is published on the first business day prior to the first delivery notice day of the first delivery month and the position limits become effective on the same day at 3:00PM, Montreal Time. This gives participants and position holders very little time to adjust their position(s) where necessary, which the Division considers inefficient and potentially creates unnecessary market frictions. The Division therefore proposes to keep the same date for publication of the position limits (i.e. the first business day prior to the first Delivery notice day of the first Delivery Month) but to move the effective date to the close of the regular session of the first business day of the Delivery Month. As a result, participants and position holders would benefit from having 2 additional business days to adjust their position(s), if necessary. The Bourse does not consider that moving the effective date to the first business day of the Delivery Month increases the risk of manipulation. In fact, while some other international markets impose position limits for the first delivery month on similar products, such limits become effective later in the delivery month (e.g., the position limits are effective on the 10 last business days of the delivery month on the CBOT Treasury Futures contracts¹⁰ and on the last 3 business days of the delivery month, for long positions only, on the Eurex Euro Fixed Income Futures¹¹).

2. Equity Derivatives

2.1 Equity-holding ETF Options

As described in March 2017 in the Bourse's [Circular 037-17](#), relating to proposed amendments on position limits for equity-holding Exchange-traded-fund ("ETF") options, the significant volume growth of these options has shed light on some limitations with the methodology used by the Bourse to determine position limit levels on ETF options. At the time, the Division was seeing an increase in position limits exemption requests from hedgers and in many instances, such entities were close to exceeding the applicable limits. Since the new limits became effective in December 2017, the exemption requests received by the Division have significantly decreased. Nonetheless, as part of its holistic review, the Bourse further investigated the appropriateness of the previous method to rely solely on the methodology applicable to equity options.

ETFs are considered stand-alone equity securities and position limits for options on ETFs are currently calculated with the methodology used for determining position limits on equity options. The methodology consists of five "tiers" based on the volume traded over the last six months and the number of ETF outstanding units, except for the options on XIU¹², which is subject to a fixed position limit of 600,000 contracts¹³. For options where

¹⁰ <https://www.cmegroup.com/content/dam/cmegroup/notices/market-regulation/2019/08/TreasurySpotMonthPositionLimitNoticeforSep2019.pdf>

¹¹ <https://www.eurexchange.com/exchange-en/resources/circulars/circular-1600182>

¹² iShares S&P/TSX 60 Index ETF

¹³ Since December 13, 2017 ([Circular 175-17](#))

the underlying security is an equity holding ETF for which all of the components are exchange-traded stocks, the position limits are equal to twice the limit levels provided for above¹⁴.

Table 6: Current Position Limits Methodology for ETFs Options

Most recent 6-month trading volume of transactions on the underlying ETFs, OR	Most recent 6-month trading volume of transactions on the underlying ETFs AND number of currently outstanding ETFs	Position Limit
Less than 20 million	Less than 15 million trading volume and less than 40 million outstanding	25,000
At least 20 million	At least 15 million trading volume and 40 million outstanding	50,000
At least 40 million	At least 30 million trading volume and 120 million outstanding	75,000
At least 80 million	At least 60 million trading volume and 240 million outstanding	200,000
At least 100 million	At least 75 million trading volume and 300 million outstanding	250,000

ETFs are managed securities that can be freely created or redeemed from their component stocks. In fact, ETF managers issue fund units and buy shares with the funds collected from the sale. At any time, units can be issued or redeemed by market participants. ETF unit creation occurs when a participant converts its shares that compose the ETF into ETF units. Conversely, the redemption implies that ETF units are redeemed to obtain shares comprising the fund.

The process of creating ETF units is only constrained by the availability of the constituent stocks. In theory, the number of ETF units that can be created and outstanding on the market can be estimated by assuming that all ETF component stocks were converted into ETF units. In practice, however, the number of ETF units in existence on the market is substantially smaller. Market participants required to deliver ETF units to a counterparty upon option exercise would not be limited to try to buy the ETF units on the open market, they could buy the constituent stocks and ask the manager to convert them into ETF units.

The current methodology for establishing ETF options position limits does not take into account the high velocity of the ETF unit creation and redemption process given limited barriers in the process. By ignoring that ETF units can be created immediately upon handover of the constituent stocks, the current methodology sets unreasonably low position limits which severely limit the participants' investment and hedging capabilities and prevent the products' growth.

¹⁴ Idem

One possible way to replace the current approach for establishing equity-holding ETF position limits would be to look at all the individual stocks composing a given ETF and set the ETF options position limits to the same level as the lowest position limits applicable to the options on stocks composing the ETFs. This methodology relies on the current levels of position limits for equity options and adopts the most conservative approach by ensuring that a position limit on ETF options would never exceed the most conservative position limit applicable to an option class on any of the stocks comprising the ETFs. If the Bourse was to adopt this methodology, the position limits on the equity-holding ETF options would be significantly higher than the position limits based on the current methodology. For example, the position limit for XIU options, currently set at 600,000 contracts, would increase to 8,557,567 contracts, as illustrated in Table 7 below:

Table 7: XIU option position limit based on a methodology that relies on the current position limits for equity options composing the XIU and setting the ETF options position limit to the same level as the lowest position limits applicable to the option classes on the stocks composing the ETF (based on October 1, 2019 figures)

Example: XIU option limits under new methodology							
Ticker	Name	A and B	E (= C * D)	D	C	F (= A * E / B)	
		Units outstanding (A) and number of shares of each component (B)	Share equivalent of equity option limit	Contract Multiplier	Equity or ETF Options Position Limit	Equivalent number of ETF units	
XIU	iShares S&P/TSX 60 Index fund	324,400,000	A				
RY	ROYAL BANK OF CANADA	6,393,253	B	25,000,000	100	250,000	1,268,524,803
TD	TORONTO DOMINION	8,110,459	B	25,000,000	100	250,000	999,943,406
ENB	ENBRIDGE INC	9,019,496	B	25,000,000	100	250,000	899,163,324
BNS	BANK OF NOVA SCOTIA	5,439,029	B	25,000,000	100	250,000	1,491,074,969
CNR	CANADIAN NATIONAL RAILWAY	3,211,998	B	25,000,000	100	250,000	2,524,908,172
TRP	TC ENERGY CORP	4,156,832	B	25,000,000	100	250,000	1,951,004,996
BAM.A	BROOKFIELD ASSET MANAGEMENT INC CL	4,105,294	B	25,000,000	100	250,000	1,975,497,979
SU	SUNCOR ENERGY INC	6,933,147	B	25,000,000	100	250,000	1,169,742,975
BMO	BANK OF MONTREAL	2,847,481	B	25,000,000	100	250,000	2,848,131,383
BCE	BCE INC	4,011,337	B	25,000,000	100	250,000	2,021,769,799
CM	CANADIAN IMPERIAL BANK OF COMMERCE	1,982,729	B	25,000,000	100	250,000	4,090,321,975
MFC	MANULIFE FINANCIAL CORP	8,723,625	B	25,000,000	100	250,000	929,659,402
SHOP	SHOPIFY SUBORDINATE VOTING INC CLA	446,993	B	7,500,000	100	75,000	5,443,038,258
CNQ	CANADIAN NATURAL RESOURCES LTD	5,296,941	B	25,000,000	100	250,000	1,531,072,368
ABX	BARRICK GOLD CORP	7,917,796	B	25,000,000	100	250,000	1,024,274,937
CP	CANADIAN PACIFIC RAILWAY LTD	619,884	B	7,500,000	100	75,000	3,924,927,890
NTR	NUTRIEN LTD	2,553,332	B	25,000,000	100	250,000	3,176,241,867
ATD.B	ALIMENTATION COUCHE TARD SUB VOTIN	3,897,708	B	25,000,000	100	250,000	2,080,709,997
SLF	SUN LIFE FINANCIAL INC	2,634,184	B	25,000,000	100	250,000	3,078,752,282
WCN	WASTE CONNECTIONS INC	1,175,259	B	25,000,000	100	250,000	6,900,606,590
T	TELUS CORP	2,682,202	B	25,000,000	100	250,000	3,023,635,058
QSR	RESTAURANTS BRANDS INTERNATIONAL I	1,326,553	B	25,000,000	100	250,000	6,113,589,129
CSU	CONSTELLATION SOFTWARE INC	87,939	B	No Options listed on the Bourse			
GIB.A	CGI INC	1,071,943	B	20,000,000	100	200,000	6,052,560,631
PPL	PEMBINA PIPELINE CORP	2,277,707	B	25,000,000	100	250,000	3,560,598,444
FTS	FORTIS INC	1,942,360	B	25,000,000	100	250,000	4,175,333,100
RCI.B	ROGERS COMMUNICATIONS NON-VOTING I	1,589,657	B	25,000,000	100	250,000	5,101,729,493
FNV	FRANCO NEVADA CORP	834,424	B	25,000,000	100	250,000	9,719,279,407
NA	NATIONAL BANK OF CANADA	1,495,516	B	25,000,000	100	250,000	5,422,877,455

MG	MAGNA INTERNATIONAL INC	1,302,443	B	25,000,000	100	250,000	6,226,760,019
BIP.UN	BROOKFIELD INFRASTRUCTURE PARTNERS	1,307,057	B	25,000,000	100	250,000	6,204,779,134
AEM	AGNICO EAGLE MINES LTD	1,061,885	B	25,000,000	100	250,000	7,637,361,861
WPM	WHEATON PRECIOUS METALS CORP	1,988,849	B	25,000,000	100	250,000	4,077,735,414
TRI	THOMSON REUTERS CORP	759,675	B	25,000,000	100	250,000	10,675,617,863
MRU	METRO INC	1,134,313	B	25,000,000	100	250,000	7,149,702,066
OTEX	OPEN TEXT CORP	1,202,564	B	25,000,000	100	250,000	6,743,923,816
DOL	DOLLARAMA INC	1,304,623	B	25,000,000	100	250,000	6,216,355,223
EMA	EMERA INC	1,063,369	B	25,000,000	100	250,000	7,626,703,430
L	LOBLAW COMPANIES LTD	783,307	B	25,000,000	100	250,000	10,353,539,545
CVE	CENOVUS ENERGY INC	4,544,885	B	25,000,000	100	250,000	1,784,423,588
SJR.B	SHAW COMMUNICATIONS INC CLASS B	2,023,704	B	25,000,000	100	250,000	4,007,503,074
KL	KIRKLAND LAKE GOLD LTD	847,934	B	25,000,000	100	250,000	9,564,423,646
TECK.B	TECK RESOURCES SUBORDINATE VOTING	2,181,201	B	25,000,000	100	250,000	3,718,135,101
POW	POWER CORPORATION OF CANADA	1,460,354	B	25,000,000	100	250,000	5,553,448,000
SAP	SAPUTO INC	1,053,547	B	25,000,000	100	250,000	7,697,805,603
GIL	GILDAN ACTIVEWEAR INC	907,791	B	25,000,000	100	250,000	8,933,774,404
IPL	INTER PIPELINE LTD	1,838,035	B	25,000,000	100	250,000	4,412,320,766
CTC.A	CANADIAN TIRE LTD CLASS A	259,592	B	7,500,000	100	75,000	9,372,399,766
BHC	BAUSCH HEALTH COMPANIES INC	1,387,268	B	25,000,000	100	250,000	5,846,022,542
IMO	IMPERIAL OIL LTD	1,053,772	B	25,000,000	100	250,000	7,696,161,978
CCL.B	CCL INDUSTRIES INC CLASS B	645,447	B	75,000,000	100	750,000	37,694,806,855
K	KINROSS GOLD CORP	5,581,756	B	25,000,000	100	250,000	1,452,947,782
WN	GEORGE WESTON LTD	314,943	B	7,500,000	100	75,000	7,725,207,418
ECA	ENCANA	5,790,592	B	25,000,000	100	250,000	1,400,547,647
FM	FIRST QUANTUM MINERALS LTD	3,072,400	B	25,000,000	100	250,000	2,639,630,256
WEED	CANOPY GROWTH CORP	988,706	B	25,000,000	100	250,000	8,202,640,623
CCO	CAMECO CORP	1,763,925	B	25,000,000	100	250,000	4,597,701,149
BBB.B	BOMBARDIER INC CLASS B	9,476,993	B	25,000,000	100	250,000	856,756,673
BB	BLACKBERRY LTD	2,199,073	B	25,000,000	100	250,000	3,687,917,591
SNC	SNC LAVALIN INC	782,461	B	25,000,000	100	250,000	10,364,733,833
Lowest equivalent number of ETF units							856,756,673
XIU option Contract Multiplier					100		
Position Limit for options on XIU (new methodology)						8,567,567	

Faced with the same reality with respect to the growing use of ETFs in the last few years, US options exchanges have gradually increased position limits for some specific ETF options, adopting a fixed position limit higher than the limits obtained through their current methodology. For example, in 2018, position limits increased from 900,000 contracts to 1,800,000 on QQQ options and from 500,000 contracts to 1,000,000 contracts on EEM and IWM options. For SPY options (the underlying being the largest ETF tracking the S&P 500) the position limit was set to 1,800,000 in 2018, after the limit was completely removed in 2012 as part of a pilot program¹⁵.

As for the European (Euronext) and Australian (ASX) market exchanges, they have generally chosen not to apply any position limits on ETF options, except for EUREX which applies them only to long call option or long future positions. At EUREX, until April 2019, the position limits for ETF derivatives were fixed at 25% of the fund units in circulation. Since April 2019, the percentage has been adjusted by taking into account the assets under management of the funds.

¹⁵ <https://www.cboe.com/publish/RegCir/RG18-021.pdf>

The current international approaches to ETF options limits can vary as summarized in Table 8 below:

Table 8: International Benchmarking

	Methodology adopted to set Position Limits for ETFs
Bourse de Montreal	Based on most recent 6-month trading volume of transactions on the underlying ETF and number of currently outstanding ETF units
All US options exchanges	Based on most recent 6-month trading volume of transactions on the underlying ETF and number of currently outstanding ETF units Fixed limit for options on certain ETFs: <ul style="list-style-type: none"> ● SPY - 1,800,000 contracts ● QQQ - 1,800,000 contracts ● EEM and IWM - 1,000,000 contracts ● EFA, EWJ, EWZ and FXI - 500,000 contracts
EUREX ¹⁶	Based on the fund units in circulation and the fund assets under management, and applicable only to long call option or long future positions
Euronext Derivatives Markets	No position limits
ASX	No position limits

In light of the foregoing and given the comparison that can be made with the US option markets, the Bourse proposes to amend the current approach for options on equity-holding ETF options described in Table 9 by incorporating the notions of narrow-based and broad-based ETFs, and by considering the assets under management (AUM) and the total number of outstanding units for broad-based ETFs. These new elements will be reflected in the methodology by applying a determined multiplier to the equity option limit depending on the type of ETF and its AUM where applicable. For options on equity-holding ETFs, the proposed multiplier, for (i) narrow-based ETFs is 'x2', (ii) broad-based ETFs is 'x3', (iii) broad-based ETFs with net AUM of at least \$4B and a total number of outstanding units of at least 100 million is 'x4'.

¹⁶ <https://www.eurexchange.com/resource/blob/1514874/ff1ee5f588d04d2e93ffe28b4f0fa85f/data/er19035e.pdf> (page 4)
<https://www.eurexchange.com/resource/blob/252536/eb8a31cb77c767191806cda61dc43da0/data/cf0972004e.pdf>

More specifically, for ETFs with assets under management at or above EUR 4 billion, the percentage remains 25% of the fund units in circulation. For funds with assets under management at or below EUR 1 billion, the percentage is fixed at 100% of the fund units in circulation. For funds with assets under management between EUR 1 billion and EUR 4 billion, the percentage is adjusted proportionally between 100% and 25% of the fund units in circulation.

The Bourse proposes to define the notion of “narrow-based exchange-traded fund” based on the main criteria used by the US Commodity Futures Trading Commission (CFTC) and the US Securities and Exchange Commission (SEC) in their definition of Narrow-Based Security Index which is as follows: “(1) it has nine or fewer components; (2) one component comprises more than 30 percent of the index weighting; (3) the five highest weighted components comprise more than 60 percent of the index weighting, or (4) the lowest weighted components comprising in the aggregate 25 percent of the index’s weighting have an aggregate dollar value of average daily volume over a six-month period of less than US\$50 million (less than US\$30 million if there are at least 15 component securities)”.¹⁷ The proposed definitions in the Rules for exchange-traded funds will be adapted to the fact that these definitions pertain to exchange-traded funds as opposed to indices.

Table 9 below illustrates the new position limits for equity-ETF options currently listed on the Bourse if the proposed multipliers were applied:

Table 9: Position Limits calculated as per the new methodology

Name of underlying instrument	Symbol	Current Position Limit	Narrow or Broad	Net Assets (\$Mn)	O/S Units (Mn)	Multiplier	New Position Limit
iShares CDN S&P/TSX Capped Composite Index ETF	XIC	500,000	B	4,967	185	4	1,000,000
iShares S&P/TSX 60 Index ETF	XIU	600,000	B	8,554	338	4	1,000,000
BMO S&P/TSX Capped Composite Index ETF	ZCN	400,000	B	4,184	183	4	800,000
BMO S&P/TSX Laddered Preferred Share Index ETF	ZPR	500,000	B	1,984	208	3	750,000
iShares S&P 500 Index ETF (CAD-Hedged)	XSP	500,000	B	1,916	39	3	750,000
iShares S&P/TSX Global Gold Index ETF	XGD	500,000	B	839	56	3	750,000
BMO Equal Weight Banks Index ETF	ZEB	500,000	N	1,066	37	2	500,000
iShares S&P/TSX Capped Energy	XEG	500,000	N	670	73	2	500,000

¹⁷ <https://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/index.htm#N>

Index ETF							
iShares S&P/TSX Capped Financials Index ETF	XFN	500,000	N	1,024	26	2	500,000
BMO S&P 500 Index ETF	ZSP	150,000	B	6,297	143	4	300,000
BMO MSCI EAFE Index ETF	ZEA	150,000	B	2,699	144	3	225,000
iShares S&P/TSX Capped REIT Index Fund	XRE	150,000	B	1,425	72	3	225,000
Vanguard S&P 500 Index ETF	VFV	100,000	B	2,410	35	3	150,000
BMO Low Volatility Canadian Equity ETF	ZLB	100,000	B	2,028	59	3	150,000
BMO S&P 500 Hedged to CAD Index ETF	ZUE	100,000	B	1,709	38	3	150,000
iShares Canadian Select Dividend Index ETF	XDV	100,000	B	1,315	52	3	150,000
iShares MSCI EAFE Index ETF (CAD Hedged)	XIN	100,000	B	1,237	47	3	150,000
Horizons Marijuana Life Sciences Index ETF	HMMJ	150,000	N	519	48	2	150,000
BMO Nasdaq 100 Equity Hedged to CAD Index ETF	ZQQ	50,000	B	600	10	3	75,000
BMO Equal Weight US Banks Hedged to CAD Index ETF	ZUB	50,000	B	420	15	3	75,000
BMO Equal Weight Utilities Index ETF	ZUT	50,000	B	272	14	3	75,000
iShare U.S. Small Cap Index ETF (CAD-Hedged)	XSU	50,000	B	254	8	3	75,000
BMO MSCI EAFE Hedged to CAD Index ETF	ZDM	50,000	B	617	28	2	50,000
BMO Canadian Dividend ETF	ZDV	50,000	B	459	26	2	50,000

2.2 Interlisted Equity Options

One hundred option classes listed on the Bourse are interlisted, trading on both the Canadian and US markets. As of October 2, 2019, fourteen of these option classes had a higher position limit in the US as detailed in Table 10:

Table 10: Interlisted Option classes that have a higher Position Limit in the US - as of October 2, 2019

TSX Symbol	US Symbol	Name	Bourse Options Position Limit	US Options Position Limit
BLDP	BLDP	Ballard Power Systems Inc.	75 000	250 000
BCB	COT	Cott Corporation	75 000	250 000
NEPT	NEPT	Neptune Wellness Solutions Inc.	75 000	250 000
SHOP	SHOP	Shopify Inc.	75 000	250 000
SSRM	SSRM	SSR Mining Inc.	75 000	250 000
UFS	UFS	Domtar Corporation	25 000	200 000
WPRT	WPRT	Westport Fuel Systems Inc.	25 000	200 000
EDR	EXK	Endeavour Silver Corp.	200 000	250 000
NG	NG	Novagold Resources Inc.	200 000	250 000
ATP	AT	Atlantic Power Corporation	25 000	75 000
RFP	RFP	Resolute Forest Products Inc.	25 000	75 000
RBA	RBA	Ritchie Bros. Auctioneers Inc.	50 000	75 000
SOY	STKL	SunOpta, Inc.	50 000	75 000
SW	SWIR	Sierra Wireless, Inc.	25 000	50 000

Since interlisted options, for which the underlying is equity in a Canadian listed company, may have higher position limits in the US, it could be seen as a competitive disadvantage for the Canadian derivatives market whereby a client may potentially favour the market with the higher position limit.

In the US, the SEC has carefully balanced two competing concerns when considering an Exchange's position and exercise limits: "First, the Commission has recognized that the limits must be sufficiently low to prevent investors from disrupting the underlying cash market. Second, at the same time, the Commission has realized that limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent

specialists and market makers from adequately meeting their obligations to maintain a fair and orderly market.”¹⁸

The competing concerns of the SEC are aligned with the objectives of the Bourse and the Division in setting position limits. Therefore, to establish position limits for these interlisted options, the Bourse proposes to consider the trading volume of transactions on the underlying stock in the US given that such products are fungible. As a result, each of these options would have the same position limit as its US counterpart or potentially a higher one if the limit in the US is not the maximum limit set at 250,000 contracts. Subsequently, the position limit on a share futures contract with an underlying interlisted stock should also be adjusted accordingly, as the options and share futures contracts are aggregated for the purposes of position reporting.

In order to maintain confidence in the integrity of the market and avoid potential disorderly price discovery or market manipulation, the Division will continue conducting its position limit monitoring. In this capacity, the Division may require more information from a participant which may include providing option positions held on the US markets.

2.3 Index Options and Futures

Based on the analysis performed by the Division, the current position limits for the S&P/TSX 60 Index Standard and Mini Options (SXO and SXO1) are inconsistent with the S&P/TSX 60 Index Futures contracts (SXF and SXM) which have no position limits, yet all of these contracts have the same underlying, the S&P/TSX 60 Index. This may be favoring an OTC market for an SXO and SXO1 equivalent. Considering that the SXO and SXO1 are cash-settled options based on the same broad-based index, the Bourse is of the view that it represents minimal, if not theoretical, manipulation risk. Thus, the Bourse proposes to eliminate position limits for these products, consistent with the approach used for the SXF and SXM futures contracts.

Furthermore, based on the same considerations, the Bourse proposes to eliminate position limits on all other derivative instruments that are cash-settled and have a broad-based equity index as an underlying (namely SCF and SXA). Accordingly, definitions of “narrow-based index” and “broad-based index” will be added to the Rules, which definitions will be based on the criteria used by the CFTC and SEC mentioned above and used for narrow-based (and broad-based) exchange-traded funds.

3. General Provisions

3.1 Approved Defined Hedges

The Bourse proposes amendments to update position limits by introducing additional hedging exceptions on options for market participants. The effect of these changes is to better align the list of eligible hedging exemptions with the lists of other exchanges. The Bourse believes that these proposed amendments will allow potential holding of larger hedged positions which are unlikely to adversely affect the market.

¹⁸ <https://www.govinfo.gov/content/pkg/FR-1998-01-05/pdf/98-45.pdf> (page 278)

As the Bourse's basic methodology to establish position limits on options on equities, ETFs and trust units remains similar to the methodology currently in place in the US (the five-tier system), the Bourse proposes to offer similar equity hedging exemptions that for years, have been available on the US markets and that are familiar to the Participants and their clients active on the US markets.

Currently, the Bourse offers an additional position limit equal to the standard established position limit on hedges described in Sections A) to C) below. To clarify its rules, the Bourse proposes to clarify the meaning of "hedge" regarding equity options and include an automatic exemption for certain hedges with no applicable limit for those described in sections A) through E) below and a position limit equal to 5 times the standard established position limits for those described in sections F) through H) below, more specifically:

- A. where each Option Contract is hedged or covered by 100 shares of the underlying Security or by Securities convertible into 100 shares of the underlying Security, or, in the case of an adjusted Option Contract, the same number of shares represented by the adjusted contract: (a) Long Position on a Call and a Short Position on the underlying Security; (b) Short Position on a Call and a Long Position on the underlying Security; (c) Long Position on a Put and a Long Position on the underlying Security; or (d) Short Position on a Put and a Short Position on the underlying Security.
- B. Reverse Conversion — A Long Position on a Call accompanied by a Short Position on a Put, where both positions have the same expiry and Exercise Price, and where either of the positions is hedged with 100 shares (or an adjusted number of shares) of the underlying Security or Securities convertible into such underlying Security.
- C. Conversion — A Short Position on a Call accompanied by a Long Position on a Put, where both positions have the same expiry and Exercise Price, and where either of the positions is hedged with 100 shares (or an adjusted number of shares) of the underlying Security or Securities convertible into such underlying Security.
- D. Collar - A Short Position on a Call accompanied by a Long Position on a Put, where both positions have the same expiry and the Exercise Price of the Short Position on a Call equals or exceeds the Long Position on a Put, and where either of the positions is hedged with 100 shares (or other adjusted number of shares) of the underlying Security. Neither of the Short Position on a Call and Long Position on a Put can be In-the-money at the time the position is established.
- E. Reverse Collar - A Long Position on a Call accompanied by a Short Position on a Put, where both positions have the same expiry and the Exercise Price of the Long Position on a Call equals or exceeds the Short Position on a Put, and where either of the positions is hedged with 100 shares (or other adjusted number of shares) of the underlying Security. Neither of the Long Position on a Call and Short Position on a Put can be In-the-money at the time the position is established.
- F. Box spread - A Long Position on a Call accompanied by a Short Position on a Put with the same Exercise Price and a Short Position on a Call accompanied by a Long Position on a Put with a different Exercise Price.
- G. Back-to-back options - A listed Option position hedged on a one-for-one basis with an OTC Option position on the same underlying Security. The Exercise Price of the

listed Option position and corresponding OTC Option position must be within one Exercise Price of each other and no more than one expiration month apart.

- H. For those strategies described in Sections B. through E. above, one component of the Option strategy can be an OTC Option Contract.

For the purposes of the strategies described above, an OTC Option contract is defined as an OTC Option contract cleared by CDCC or where the counterparty is an Acceptable Institution as defined by IIROC.

These approved hedge exemptions on options on equities, ETFs and trust units will be in addition to the standard limits available under the rules of the Bourse.

3.2 New products and listed products having minimal open interest

Currently, there is no specific provision on position limits in the Rules for new products or listed products having no or minimal open interest. Position limits based only on the open interest of the derivatives may curtail the legitimate development of new products or any listed product having no or minimal open interest. Although some measures are already in place to take such situations into consideration (e.g., a fixed lower level of 25,000 positions for the equity options, consideration of the outstanding deliverable bonds in the calculation of the position limits for the delivery-settled interest rate derivatives), the Bourse considers that more flexibility is required in the context of new products or the relaunch of any listed product having no or minimal open interest. In this context, the Bourse proposes to include a new article providing discretion to the Division to establish and publish position limits it deems acceptable or to remove position limits for any new product or product which has no or minimal open interest, according to the Division, for at least six consecutive months. The Division would have this discretion until such time it considers that the standard applicable position limit in the Rules is appropriate.

3.3 Different position limit

For specific products, the Rules currently contain provisions that the Bourse may apply a different position limit to an Approved Participant or its clients other than in the context of an exemption. For consistency, these articles will be removed from individual product sections and a new provision, applicable to all products listed on the Bourse, is proposed.

3.4 Exemption requests

The current exemption process (Appendix 6D—Policy C-1: Exemption Request from a Position Limit of the Rules) was extensively revised in 2015¹⁹. Although the proposed amendments to the Rules with regards to the position limits (such as adding defined hedges on options and increasing their levels, increasing or eliminating position limits on some products) will potentially reduce the number of exemption requests

¹⁹ Circular [052-15](#)

received by the Division, the Bourse takes the opportunity to propose the following changes to the exemption process to provide for more efficiency and flexibility:

1. Currently, before making a decision, the Vice-President, Regulatory Division, or his or her delegate, must submit each exemption request to an internal consultation committee which lengthens the process. This provision will be removed. The decision to approve or refuse an exemption request will rely solely on the Vice-President, Regulatory Division, or his or her delegate, who will have the option, but not the obligation, to consult other relevant departments of the Bourse.
2. The duration of an exemption, while determined by the Vice-President, Regulatory Division, or his or her delegate, cannot exceed three (3) months. To provide for more flexibility, the maximum duration of an exemption will be increased to twelve (12) months.
3. Today, once an exemption request is granted, the applicant must provide the Bourse with a daily statement of the open positions in the derivative instrument for which the exemption was granted and also a daily statement in the Underlying Interest or in the Security related to such Underlying Interest as long as the exemption remains in force. The Vice-President, Regulatory Division, or his or her delegate, will now have the discretion to determine the frequency at which the applicant must provide this information as deemed appropriate (e.g. daily, weekly or any other frequency).
4. The definition of “positions taken for risk management purposes” will be added to the Rules for clarity, aligning it with CME Rule 559.B.²⁰ which was the original intention when the Policy C-1 was revised in 2015.

d. Comparative analysis

The Bourse and the Division have conducted a comparative analysis with other exchanges (the major US exchanges, ICE Futures Europe, Eurex, Euronext, ASX, B3 and HKEX) on the limits level for comparable products of the Bourse and the methodology used to set position limits for interest rate and equity derivatives. Regulatory authorities, such as the SEC, FINRA and CFTC, requirements with regards to position limits were also considered as part of this revision exercise, for example the position limits on interlisted equity options and hedge exemptions.

In making the proposals in the preceding sections, the Bourse and the Division have taken into consideration the publicly available methodologies and rationale related to position limits adopted by those exchanges or regulatory authorities.

²⁰ <https://www.cmegroup.com/content/dam/cmegroup/rulebook/CME/I/5/5.pdf>

IV. AMENDMENT PROCESS

Following the amendments made to the Rules on position limits in 2017, the Bourse and the Division have undertaken a complete revision of its Rules on position limits for all the Listed products. This amendment process is therefore undertaken to amend all the articles of the Rules related to position limits to reflect the proposals presented in this analysis.

V. IMPACTS ON TECHNOLOGICAL SYSTEMS

None of the proposed amendments have an impact on the Bourse's technological systems or those of its Approved Participants.

VI. PUBLIC INTEREST

The Bourse and the Division consider these amendments to be aligned with the endeavour to counter market abuse and manipulation, fraud and deceptive trading, and to foster fair and orderly markets. As such, the proposed amendments are not considered to have an impact on public interest.

VII. EFFICIENCY

The proposed amendments will strike a balance between providing the market an environment geared towards liquidity and price discovery, yet preventing potential market abuse. The Bourse and the Division shall also be better equipped to monitor and intervene on the market by regulating position limits, and to give more opportunity for a new product to grow in its initial trading.

VIII. PROCESS

The proposed amendments are subject to the Special Committee and the Rules and Policies Committee of the Bourse for approval purposes. They will also be submitted to the Autorité des marchés financiers in accordance with the self-certification procedure and to the Ontario Securities Commission for information.

IX. APPENDIX

Appendix 1 - Proposed amendments to the rules

APPENDIX 1
AMENDED VERSION

PART 6 - TRADING RULES

Chapter D—Listed Products

Article 6.309 A Position Limits for Options and Share Futures Contracts

~~(a) — Except for those limits specified in Article 6.309, no Approved Participant shall make, for any account in which it has an interest or for the account of any client, a Transaction in a Listed Product if the Approved Participant has reason to believe that as a result of such Transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.~~

~~(b)~~(a) Except otherwise indicated, the applicable position limits for Options, sShare fFutures eContracts or aggregated eOptions and sShare fFutures eContracts (as defined under paragraph be) iii)) are as follows:

- (i) Share Futures Contracts, aggregated Options and Share Futures Contracts positions as well as Options on stocks, exchange-traded funds or trust units
 - (1) 25,000 cContracts where the underlying security does not meet the requirements set out in sub-paragraphs ab)(i)2) and ab)(i)3) of the present Article;
 - (2) 50,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 20 million shares or units, or the most recent interlisted six-month trading volume of transactions totals at least 15 million shares or units of the Underlying Interest and at least 40 million shares or units of this Underlying Interest are currently outstanding;
 - (3) 75,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 40 million shares or units, or the most recent interlisted six-month trading volume ~~on the Underlying Interest of transactions~~ totals at least 30 million shares or units of the Underlying Interest and at least 120 million

shares or units of this Underlying Interest are currently outstanding;

(4) 200,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 80 million shares or units, or the most recent interlisted six-month trading volume ~~of transactions on the Underlying Interest~~ totals at least 60 million shares or units of the Underlying Interest and at least 240 million shares or units of this Underlying Interest are currently outstanding;

(5) 250,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 100 million shares or units of the Underlying Interest or the most recent interlisted six month trading volume ~~of transactions on the Underlying Interest~~ totals at least 75 million shares or units of the Underlying Interest and at least 300 million shares or units of this Underlying Interest are currently outstanding;

~~(6) 600,000 contracts on the following exchange traded funds: units of the iShares S&P/TSX 60 Index Fund (XIU);~~

~~(6) except for the specific limits provided for under paragraph b)(i)6) above, for cContracts where the underlying security is an equity holding exchange-traded fund, defined as an exchange-traded fund where one of the main investment objectives is to hold, directly or indirectly only for which all of the components are exchange-traded stocks, or trust units, the position limits shall be equal to twice the limit levels provided for under paragraphs b)(i)1) to 5) above.~~

(A) for contracts for which the Underlying Interest is a narrow-based exchange-traded fund, the position limits shall be equal to twice the limit levels provided for under paragraphs a)(i)(1) to (5) above;

(B) for contracts for which the Underlying Interest is a broad-based exchange-traded fund, the position limits shall be equal to three times the limit levels provided for under paragraphs a)(i)(1) to (5) above;
or

~~(A)(C)~~ for contracts for which the Underlying Interest is a broad-based exchange-traded fund that has assets under management of at least 4 billion dollars and outstanding units in circulation of at least 100 million units, the position limits shall be equal to four times the limit levels provided for under paragraphs a)(i)(1) to (5) above.

~~(ii)~~ Debt options

~~8,000 contracts.~~

~~(iv)(ii)~~ Broad-based Index Options

~~50,000 standard Options contracts on the S&P/TSX 60 Index.~~ There are no position limits on broad-based index Options.

~~(v)(iii)~~ Sector-Narrow-based index Options

~~40,000 contracts.~~

~~(vi)(iv)~~ Options on futures

The number of contracts established as the position limits for the underlying Futures Contract.

For the purpose of this Article, Options Contract positions are aggregated with the underlying Futures Contract positions. For aggregation purposes, the Futures equivalent of one In-the-money option contract is one Futures Contract and the Futures equivalent of one at-the-money or Out-of-the-money Option Contract is half a Futures Contract.

~~(vii)(v)~~ Currency options

40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

~~(e)(b)~~ For the purposes of this article:

- (i) Calls written, Puts held, a net short Sshare fFutures position, and short Underlying Interest are on the same side of the market and Puts written, Calls held, a net long Share Futures position, and long Underlying Interest are on the same side of the market;

(ii) the Bourse may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Bourse and reasonable notice shall be given of each new position limit;

(iii) the “aggregated ~~o~~Options and ~~s~~Share ~~f~~Futures ~~e~~Contracts position” is obtained by first netting Sshare Futures Contracts positions relating to the same Underlying Interest and subsequently adding the net Futures Contracts position (net long or net short) to Options positions relating to the same Underlying Interest on a per side basis (whether long or short) to determine the aggregate per side quantity held; one Option Contract being equal to one Sshare Futures Contract for purposes of this calculation;

(iv) the “interlisted trading volume of transactions” includes trading volumes of transactions on the Underlying Interest on all Canadian and United States marketplaces as long as the Underlying Interest is the same.

(c) For the purposes of Articles 6.309A and 6.309B:

(i) a “narrow-based exchange-traded fund” is an equity exchange-traded fund that meets one of the following four requirements (1) it has nine or fewer components; (2) one component comprises more than 30 percent of the fund’s composition; (3) the five highest weighted components comprise more than 60 percent of the fund’s composition, or (4) the lowest weighted components comprising in the aggregate 25 percent of the fund’s composition have an aggregate dollar value of average daily volume over a six-month period of less than US\$50 million dollars (US\$30 million dollars if there are at least 15 component securities);

(ii) a “broad-based exchange-traded fund” is an equity exchange-traded fund that is not a narrow-based exchange-traded fund;

(iii) a “narrow-based index” is an equity index that meets one of the following four requirements: (1) it has nine or fewer components; (2) one component comprises more than 30 percent of the index weighting; (3) the five highest weighted components comprise more than 60 percent of the index weighting, or (4) the lowest weighted components comprising in the aggregate 25 percent of the index’s weighting have an aggregate dollar value of average daily volume over a six-month period of less than US\$50 million dollars (US\$30 million dollars if there are at least 15 component securities);

(iv) a “broad-based index” is an equity index that is not a narrow-based index.

(e)(d) Conversions, reverse conversions, long and short Hedges exemptions

- (i) ~~For the purposes of this Article, the following~~In addition to the applicable position limits established under paragraph (a)(i), the following hedging Transactions and positions are allowed. The hedging Transactions and positions described in paragraphs (1) through (5) below shall be exempt from established position limits as prescribed under paragraph (a)(i). Hedge Transactions and positions established pursuant to paragraphs (6) through (8) below are subject to a position limit equal to five (5) times the position limits established under subparagraph (a)(i) above~~defined hedges are approved by the Bourse.;~~

- (1) Where each Option Contract is hedged or covered by 100 shares of the underlying Security or by Securities convertible into 100 shares of the underlying Security, or, in the case of an adjusted Option Contract, the same number of shares represented by the adjusted contract: (a) Long Position on a Call and a Short Position on the underlying Security; (b) Short Position on a Call and a Long Position on the underlying Security; (c) Long Position on a Put and a Long Position on the underlying Security; or (d) Short Position on a Put and a Short Position on the underlying Security.
- (2) Reverse Conversion — A Long Position on a Call accompanied by a Short Position on a Put, where both positions have the same expiry and Exercise Price, and where either of the positions is hedged with 100 shares (or an adjusted number of shares) of the underlying Security or Securities convertible into such underlying Security.
- (3) Conversion — A Short Position on a Call accompanied by a Long Position on a Put, where both positions have the same expiry and Exercise Price, and where either of the positions is hedged with 100 shares (or an adjusted number of shares) of the underlying Security or Securities convertible into such underlying Security.
- (4) Collar - A Short Position on a Call accompanied by a Long Position on a Put, where both positions have the same expiry and the Exercise Price of the Short Position on a Call equals or exceeds the Long Position on a Put, and where either of the positions is hedged with 100 shares (or other adjusted number of shares) of the underlying Security. Neither of the Short Position on a

Call and Long Position on a Put can be In-the-money at the time the position is established.

(5) Reverse Collar - A Long Position on a Call accompanied by a Short Position on a Put, where both positions have the same expiry and the Exercise Price of the Long Position on a Call equals or exceeds the Short Position on a Put, and where either of the positions is hedged with 100 shares (or other adjusted number of shares) of the underlying Security. Neither of the Long Position on a Call and Short Position on a Put can be In-the-money at the time the position is established.

(6) Box spread - A Long Position on a Call accompanied by a Short Position on a Put with the same Exercise Price and a Short Position on a Call accompanied by a Long Position on a Put with a different Exercise Price.

(7) Back-to-back options - A listed Option position hedged on a one-for-one basis with an OTC Option position on the same underlying Security. The Exercise Price of the listed Option position and corresponding OTC Option position must be within one Exercise Price -of each other and no more than one expiration month apart.

(8) For those strategies described in Sections (2) through (5) above, one component of the Option strategy can be an OTC Option Contract.

~~(ii) — conversion: where an opening long put Transaction in any Option is entirely offset by an opening short call Transaction having the same expiry month and Exercise Price in the same Option Class, either of which Option Transaction is effectively hedged by a Long Position in the Underlying Interest of the Option;~~

~~(iii) — reverse conversion: where an opening short put Transaction in any Option is entirely offset by an opening long call Transaction having the same expiry month and Exercise Price in the same Option class, either of which Option Transaction is effectively hedged by a Short Position in the Underlying Interest of the Option;~~

~~(iv) — short hedge: where an opening long call Transaction or an opening short put Transaction in any Option is entirely offset by a Short Position in the Underlying Interest of the Option;~~

~~(v) — long hedge: where an opening short call Transaction or an opening long put Transaction in any Option is entirely offset by a Long Position in the Underlying Interest of the Option;~~

~~(vi) — The hedge exemptions defined in subparagraph (d)(i) above are in addition to the applicable limits under Article 6.309(a). In addition to the position limits set out in paragraph b), any one account may hold an amount of options not exceeding the applicable paragraph b) limit of any combination of the approved hedge positions defined in subparagraphs d (i)1) to d)(i)4), inclusive.~~

~~(vii) — For purposes of paragraph (d)(i) above, an OTC Option Contract is defined as an OTC Option Contract cleared by CDCC or where the counterparty is an Acceptable Institution as defined by the Investment Industry Regulatory Organization of Canada (IIROC). For all position limits set out in this article, in the case of hedging transactions and positions described in subparagraphs (3) through (8) above conversion and reverse conversion as defined in paragraph (d)(i)(1) and (2), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.~~

~~(ii) —~~

~~(f) — Exemption~~

~~As described in Policy C-1, an Approved Participant or a client may file, in the form prescribed, an application with the Bourse to obtain on behalf of a bona fide hedger or for risk management purposes an exemption from the position limits prescribed by the Bourse. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the Approved Participant or client shall reduce the position below the prescribed limit within the period set by the Bourse. The Bourse may modify any exemption which has been previously granted.~~

Article 6.309B Position Limits for Futures Contracts

Except as otherwise indicated and except for Share Futures Contracts, the applicable position limits for Futures Contracts are as follows:

(i) Cash Settled Interest Rate Futures:

The maximum net Long Position or net Short Position for the Settlement Month of a quarterly Cash Settled Interest Rate Futures Contract which a Person may own or control at the close of trading on the first business day of the first Settlement Month is equal to 25% of the average daily Open Interest for the Settlement Month of the designated Cash Settled Interest Rate Futures Contract during the three calendar months preceding the month before the Settlement Month. Same position limits are applicable to

serial contracts, if any, of the two months following the Settlement Month. These position limits are established and published by the Bourse on a quarterly basis.

(ii) Government of Canada Bond Futures:

(1) 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 at the close of trading on the first business day of the month following the Delivery Month is equal to half the sum of 20% of the average of the outstanding deliverable Bonds of the four preceding Delivery Months including the current Delivery Month, and the greater of:

(A) 4,000 contracts; or

(B) 20% of the average daily Open Interest for all Delivery Months during the three calendar months preceding the Delivery Month.

Such position limits are established and published by the Bourse on a quarterly basis.

(2) 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 the start of trading on the first business day prior to the first Delivery notice 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.

(iii) Broad-based index Futures:

There are no position limits on broad-based index Futures.

(iv) Narrow-based index Futures:

The maximum net Long Position or net Short Position in all Settlement Months combined in a designated narrow-based index Futures Contracts which a Person may own or control is 20,000 contracts.

[...]

6.310 Position Limits for Derivatives Instruments

- (a) No Approved Participant shall make, for any account in which it has an interest or for the account of any client, a Transaction in a specific Derivative Instrument listed on the Bourse if the Approved Participant has reason to believe that as a result of such Transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.
- (b) For the purposes of position limit regulations, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, must be aggregated.
- (c) A person with authority over one or more managed accounts must not execute or order the execution of Transactions for such account or accounts where such Transactions, by themselves or in addition to his personal Transactions, exceed the limits prescribed under the Rules regarding total positions in any Derivative Instrument.
- (d) Notwithstanding any other provision in the Rules, the Regulatory Division may, at its discretion, establish and publish position limits or remove position limits as it deems appropriate for any Derivative Instrument listed on the Bourse (i) that has no or minimal Open Interest, as determined by the Regulatory Division, for at least six consecutive months, or (ii) that is newly introduced by the Bourse. Position limits established under this paragraph shall remain applicable until such time the Regulatory Division considers it necessary. The position limits established under this paragraph may exceed the position limits prescribed by the Rules.
- (e) The Regulatory Division may impose specific position limits to one or more Approved Participants or its or their clients on any Derivative Instrument listed on the Bourse, as it deems necessary to ensure the integrity and fairness of the market. The position limits established under this paragraph may not exceed the position limits prescribed by the Rules.

Article 6.311 Exemption ~~Procedures~~

In accordance with the provisions of Policy C-1, an Approved Participant may file, in the form prescribed, an application to the Bourse, to obtain on behalf of a bona fide hedger or for risk management purposes an exemption from the position limits prescribed by the Bourse for any Derivative Instrument listed on the Bourse that is

subject to a position limit. The Bourse may modify any exemption which has been previously granted.

~~A bona fide hedger may also under certain circumstances file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.~~

Article 6.312 Exercise Limits

- (a) Except in highly unusual circumstances and with the prior written permission of the Bourse, no Approved Participant shall Exercise, for any account in which he has an interest or for the account of any client, a Long Position in any Option where such Approved Participant or client, acting alone or in concert with others, directly or indirectly, has or will have Exercised, within any five (5) consecutive business days an aggregate Long Position exceeding the number of contracts established as position limits by Article 6.309~~A~~.
- (b) With respect to an Option Contract for which an exemption has been granted in accordance with ~~Article 6.309~~ or Article 6.311, the Exercise limit shall be equal to the amount of contracts permitted under the exemption.

Article 6.313 Variation to Position and Exercise Limits

In the case of a stock split in the Underlying Interest, the Bourse may establish special position and Exercise limits which may reflect the basis of the stock split, providing that the normal limits shall apply to the aggregate positions of all new Series of Option of that Class of Options listed after the date of the split. The Bourse shall give prompt notice for each new limit fixed by the Bourse through the issuance of a circular.

Article 6.314 Limit on Uncovered Short Positions

- (a) Whenever it is determined that there are outstanding an excessive number of Uncovered Short Positions in Option Contracts of a given class or that an excessively high percentage of outstanding Short Positions in Option Contracts of a given class are Uncovered, the Bourse may prohibit any further Opening Writing Transactions in Options contracts of that class unless the resulting Short Position will be covered.
- (b) The Bourse may also prohibit the uncovering of any existing covered Short Positions in one or more Series of Options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in Option Contracts or in the Underlying Interest.

Article 6.315 Liquidation of Positions in Excess of Limits

Whenever the Bourse finds that a Person or group of Persons acting in concert holds, controls, or is obligated in respect of an aggregate position, long or short, in excess of the

applicable position limit for a Listed Product, the Bourse may order all Approved Participants carrying a position in such Listed Product for such Person or group of Persons acting in concert, to liquidate such position ~~in an expeditious manner within the time set by the Bourse~~ consistent with the maintenance of a fair and orderly market.

Article 6.316 Other Restrictions on Option Transactions or Exercises

- (a) The Bourse may impose such restrictions on Transactions or on Exercises as it deems advisable in the interests of maintaining a fair and orderly market in Options contracts or in the Underlying Interests or as it otherwise deems advisable in the public interest or for the protection of investors.
- (b) During the period of any such restriction, no Approved Participant shall, for his own account or for the account of a client, engage in any Transaction or Exercise in contravention of such restriction.
- (c) Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given Series of Options, no restriction on Exercise may be in effect with respect with that Series of Options, except that during such ten (10) business day period, the Bourse may:
 - (i) restrict or otherwise modify the requirements for Delivery resulting from an Exercise against an Uncovered writer; or
 - (ii) order that an Exercised Options contract be settled in accordance with Article 6.407.

Article 6.317 Eligibility for Risk Management Exemption

~~The following positions qualify as p~~Positions taken for risk management purposes: are positions held by or on behalf of a Person, other than an individual or an affiliate, which typically buys, sells or holds positions in the underlying physical or forward market, a related cash market, or a related OTC market and for which the underlying market has a high degree of liquidity relative to the size of the positions and where there are opportunities for arbitrage which provide a close linkage between the Futures or Options market and the underlying market in question.

~~a position taken by a Person who regularly buys, sells or carries positions in the cash market underlying a Listed Product; and~~

~~a position taken by a Person who regularly buys, sells or carries positions in a Listed Product on the stock market or over the counter market. This market must be sufficiently liquid relative to the size of the position held.~~

Article 6.318 Definition of *bona fide* hedge

Bona fide hedging Transactions and positions are Transactions or positions in Derivative Instruments or Transactions to be made or positions to be taken at a later time

in the cash market, which are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise and which arise from:

- (a) the potential change in the value of assets which a Person owns, or merchandises or anticipates owning, or merchandising;
- (b) the potential change in the value of liabilities which a Person owes or anticipates incurring; or
- (c) the potential change in the value of services which a Person provides, purchases or anticipates providing or purchasing.

Notwithstanding the foregoing, no transactions or positions shall be considered as bona fide hedges for the purposes of this Chapter unless their purpose is to offset price risks incidental to commercial cash operations and unless the relevant provisions of this Chapter have been satisfied.

Article 6.319 Bona Fide Hedger Accounts

An Approved Participant must not consider an account as a bona fide Hedger account unless the following conditions have been satisfied:

- (a) the prospective Hedger has stated that:
 - (i) the intended positions will be *bona fide* hedges; and
 - (ii) the hedges are necessary or advisable as an integral part of his business (fully explaining the nature and extent of his business);
- (b) the hedge positions are kept in a separate hedge account in the records of the Approved Participant;
- (c) the Hedger complies with whatever limitations or requirements the Bourse imposes in connection with such hedges;
- (d) the Hedger complies with all applicable Regulations of the Bourse; and
- (e) hedges are made in an orderly manner in accordance with sound commercial practices, and are not initiated or liquidated in a manner that would cause unreasonable price fluctuations or unwarranted price changes.

[...]

Article 11.7 Position Limits

The position limit for Options on the S&P/TSX Composite Index Bank (Industry Group), if any, is set pursuant to Article 6.309A.

[...]

Article 11.107 Position Limits

The position limit for standard Options on the S&P/TSX 60 Index, if any, is set pursuant to Article 6.309A.

[...]

Article 11.123 Position Limits

~~(a) The position limit~~ ~~There are no position limits~~ for mini Options contracts on the S&P/TSX 60 Index, if any, is set pursuant to Article 6.309A.

~~(b) Notwithstanding the above paragraph, the Bourse may, if it sees fit or deems necessary to ensure the integrity and fairness of the market, impose specific position limits to one or more Approved Participants or their clients. If such specific position limits are imposed, a standard Option contract on the S&P/TSX 60 Index is the equivalent of ten (10) mini Options contracts on the S&P/TSX 60 Index, for the purpose of calculating these position limits.~~

[...]

Article 11.207 Position Limits

The position limit for Options on the S&P/TSX Capped Utilities Index, if any, is set pursuant to Article 6.309A.

[...]

Article 11.308 Position Limits

Position limits for equity Option Contracts, if any, ~~are~~ set pursuant to Article 6.309A.

[...]

Article 11.408 Position Limits

Position limits for currency Option Contracts, if any, ~~is~~ ~~are~~ set pursuant to Article 6.309A.

[...]

Article 11.507 Position Limits

Position limits for exchange-traded fund Options, if any, ~~is~~ ~~are~~ set pursuant to Article 6.309A.

[...]

Article 12.7 Position Limits

Position limits for Canadian Bankers' Acceptance Futures, if any, are set pursuant to Article 6.309B.

- ~~(a) — The maximum net Long Position or net Short Position in all Settlement Months combined in Canadian Bankers' Acceptance Futures which a Person may own or control in accordance with Article 6.310 is the greater of:
 - ~~(a) — 4,000 contracts; or~~
 - ~~(b) — 20% of the average daily Open Interest for all Canadian Bankers' Acceptance Futures Contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.~~
 - ~~(c) — 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) unless an exemption is granted under Article 6.311.~~
 - ~~(d) — Position limits for Options on Canadian Bankers' Acceptance Futures are set forth in Article 6.309.~~~~

[...]

Article 12.107 Position Limits

Position limits for Two-Year Government of Canada Bond Futures, if any, are set pursuant to Article 6.309B.

- ~~(a) — For all expiration months combined. 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 6.310 is equal to half the sum of:
 - ~~(i) — 20% of the total outstanding deliverable Bonds of the front Delivery Month, and the greater of:
 - ~~(1) — 4,000 contracts; or~~
 - ~~20% of the average daily Open Interest for all Delivery Months during the preceding three calendar months.~~~~~~
- ~~(b) — 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 6.311.~~

- ~~(c) — For the first Delivery Month. For the first Delivery 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 6.310 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 the start of trading on the first business day prior to the first Delivery notice day of the first Delivery Month.~~
- ~~(d) — The position limit for the first Delivery Month becomes effective on the first business day prior to the first Delivery notice day of the first Delivery Month.~~
- ~~(i) — 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 (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 12.207 Position Limits

Position limits for Five-Year Government of Canada Bond Futures, if any, are set pursuant to Article 6.309B.

- ~~— For all expiration months combined. 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 6.310 is equal to half the sum of:~~
- ~~(-) — 20% of the total outstanding deliverable Bonds of the front Delivery Month; and the greater of~~
- ~~(0) — 4,000 contracts or~~
- ~~20% of the average daily Open Interest for all Delivery 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 6.311.~~
- ~~(b) — For the first Delivery Month. For the first Delivery 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 6.310 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 the start of trading on the first business day prior to the first Delivery notice day of the first Delivery Month.~~

- ~~(e) — The position limit for the first Delivery Month becomes effective on the first business day prior to the first Delivery notice day of the first Delivery Month.~~
- ~~(i) — 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 (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 12.307 Position Limits

Position limits for Ten-Year Government of Canada Bond Futures, if any, are set pursuant to Article 6.309B.

- ~~(a) — For all expiration months combined. 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 6.310 is equal to half the sum of:
 - ~~(i) — 20% of the total outstanding deliverable Bonds of the front Delivery Month, and the greater of:
 - ~~—————4,000 contracts; or~~
 - ~~20% of the average daily Open Interest for all Delivery Months during the preceding three calendar months.~~~~
 - ~~(i) — 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 6.311.~~~~
- ~~(a) — For the first Delivery Month. For the first Delivery 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 6.310 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 the start of trading on the first business day prior to the first Delivery notice day of the first Delivery Month.~~

~~(b) — The position limit for the first Delivery Month becomes effective on the first business day prior to the first Delivery notice day of the first Delivery Month.~~

~~(i) — 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 (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 12.407 Position Limits

Position limits for Thirty-Year Government of Canada Bond Futures, if any, are set pursuant to Article 6.309B.

~~(a) — For all expiration months combined. 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 6.310 is equal to half the sum of:~~

~~(i) — 20% of the total outstanding deliverable Bonds of the front Delivery Month; and the greater of:~~

~~(1) — 4,000 contracts or~~

~~20% of the average daily Open Interest for all Delivery Months during the preceding three calendar months.~~

~~(ii) — 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 6.311.~~

~~(b) — For the first Delivery Month:~~

~~(c) — For the first Delivery 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 6.310 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 the start of trading on the first business day prior to the first Delivery notice day of the first Delivery Month.~~

~~(d) — The position limit for the first Delivery Month becomes effective on the first business day prior to the first Delivery notice day of the first Delivery Month.~~

- (i) ~~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 (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 12.507 Position Limits

~~There are no Pposition limits for standard Futures Contracts or equivalent contracts on the S&P/TSX 60 Index, if any, are set pursuant to Article 6.309B.~~

- (e) ~~Notwithstanding the above paragraph, the Bourse may, if it sees fit or deems necessary to ensure the integrity and fairness of the market, impose specific position limits to one or more Approved Participants or their clients. If such specific position limits are imposed, a mini Futures Contract on the S&P/TSX 60 Index is the equivalent of one quarter of a standard Futures Contract on the S&P/TSX 60 Index, for the purpose of calculating these position limits.~~

[...]

Article 12.607 Position Limits

~~There are no Pposition limits for mini Futures or equivalent contracts on the S&P/TSX 60 Index, if any, are set pursuant to Article 6.309B.~~

- (f) ~~Notwithstanding the above paragraph, the Bourse may, if it sees fit or deems necessary to ensure the integrity and fairness of the market, impose specific position limits to one or more Approved Participants or their clients. If such specific position limits are imposed, a mini Futures Contract on the S&P/TSX 60 Index is the equivalent of one quarter of a standard Futures Contract on the S&P/TSX 60 Index, for the purpose of calculating these position limits.~~

[...]

Article 12.707 Position Limits

~~The maximum net Long Position or net Short Position in all Settlement Months combined in position limit for S&P/TSX Global Gold Index Futures Contracts, if any, is set pursuant to Article 6.309B, which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

~~If deemed necessary, the Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.807 Position Limits

~~The maximum net Long Position limit for net Short Position in all Settlement Months combined in S&P Capped Financials Index Futures Contracts, if any, is set pursuant to Article 6.309B, which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

~~(g) — The Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.907 Position Limits

~~The maximum net Long Position limit or net Short Position in all Settlement Months combined in for S&P Capped Information Technology Index Futures, if any, is set pursuant to Article 6.309B which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

~~(h) — The Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1007 Position Limits

~~The maximum net Long Position limit or net Short Position in all Settlement Months combined in for S&P Capped Energy Index Futures, if any, is set pursuant to Article 6.309B Contracts which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

~~(i) — The Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1107 Position Limits

~~The maximum net Long Position limit or net Short Position in all Settlement Months combined in for S&P Composite Index Banks (Industry Group) Futures, if any, is set pursuant to Article 6.309B contracts which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

~~(j) — The Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1207 Position Limits

The ~~maximum net Long Pposition limit for or net Short Position in all Settlement Months combined in~~ S&P Capped Utilities Index Futures, if any, is set pursuant to Article 6.309B ~~Contracts which a Person may own or control in accordance with Article 6.310 of the Rules is 20,000 contracts.~~

(k) ~~— The Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 20,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1307 Position Limits

The ~~maximum net Long Pposition limit or net Short Position in all Settlement Months combined in for~~ mini Futures Contracts on the S&P/TSX Composite Index, if any, is set pursuant to Article 6.309B ~~which a Person may own or control in accordance with Article 6.310 of the Rules is 72,000 contracts.~~

(l) ~~— If deemed necessary, the Bourse may apply a different position limit to an Approved Participant or its client. This position limit may not exceed 72,000 contracts unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1407 Position Limits

The ~~maximum net Long Pposition limit or net Short position in all Settlement Months combined in for~~ Futures Contracts on the FTSE Emerging Markets Index, if any, is set pursuant to Article 6.309B ~~which a Person may own or control in accordance with Article 6.310 of the Rules is 50,000 contracts.~~

(m) ~~— Approved Participants may benefit from the exemption for a *bona fide* Hedger in accordance with Article 6.311.~~

[...]

Article 12.1707 Position Limits

The ~~maximum net Long Position or net Short Position in Position limits for~~ Share Futures Contracts, if any, are set pursuant to which a Person may own or control in accordance with Article 6.310 of the Rules shall be as provided for under Article 6.309A.

[...]

Article 12.1807 Position Limits

The ~~maximum net Long Position or net Short Position limit in all Settlement Months combined in for~~ 30-day overnight repo rate Futures-, if any, is set pursuant to Article 6.309B. ~~Contracts which a Person may own or control in accordance with Article 6.310 is:~~

- ~~(a) — for speculators, 5,000 contracts~~
- ~~(a) — for Hedgers, the greater of:~~
 - ~~(b) — 7,000 contracts; or~~
 - ~~(c) — 20% of the average daily Open Interest for all 30-day overnight repo rate Futures Contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis.~~
 - ~~(d) — 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 (a) and (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 12.1907 Position Limits ~~for Index Swap Futures Contracts~~

The ~~maximum number of net Long Position limit for or net Short Position in all Settlement Months combined in~~ overnight Index swap Futures-, if any, is set pursuant to Article 6.309B. ~~Contracts which a Person may own or control in accordance with Article 6.310 is:~~

- ~~(a) — for speculators, 5,000 contracts;~~
- ~~(b) — for Hedgers, the greater of:~~
 - ~~— 7,000 contracts; or~~
 - ~~(i) — 20% of the average daily Open Interest for all overnight Index swap Futures Contracts during the preceding three calendar months. This position limit is established and published by the Bourse on a monthly basis; and~~
- ~~(b) — 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 (a) and (b) unless an exemption is granted under Article 6.311.~~

[...]

Article 13.8 Position Limits

The position limits for Options on Ten-year Government of Canada Bond Futures, ~~if any, are set pursuant to Article 6.309A~~ are the same as the Ten-year Government of Canada Bond Futures Contract. ~~Options on Futures Contract positions are aggregated with the underlying Futures Contract for purposes of position limits with each Option aggregated as the equivalent of a Futures Contract.~~

[...]

Article 13.108 Position Limits

The position limits for Regular Options on Three-Month Canadian Bankers' Acceptance Futures, if any, are set pursuant to Article 6.309A ~~Options on Futures are the same as the underlying Futures Contract.~~ ~~Options on Futures Contract positions are aggregated with the underlying Futures Contract positions for purposes of position limits with each Option aggregated as the equivalent of a Futures Contract.~~

[...]

Article 13.208 Position Limits

~~The p~~Position limits for Serial Mid-Curve Options on Three-Month Canadian Bankers' Acceptance Futures, if any, are set pursuant to Article 6.309A ~~are the same as the underlying Futures Contract.~~ ~~Options on Futures Contract positions are aggregated with the underlying Futures Contract positions for purposes of position limits with each Option aggregated as the equivalent of a Futures Contract.~~

[...]

Article 13.308 Position Limits

~~The p~~Position limits for One-Year Quarterly Mid-Curve Options on Three-Month Canadian Bankers' Acceptance Futures, if any, are set pursuant to Article 6.309A ~~are the same as the underlying Futures Contract.~~ ~~Options on Futures Contract positions are aggregated with the underlying Futures Contract positions for purposes of position limits with each Option aggregated as the equivalent of a Futures Contract.~~

[...]

Article 13.408 Position Limits

~~The p~~Position limits for Two-Year Quarterly Mid-Curve Options on Three-Month Canadian Bankers' Acceptance, if any, are set pursuant to Article 6.309A. ~~Futures are the same as the underlying Futures Contract.~~ ~~Options on Futures Contract positions are aggregated with the underlying Futures Contract positions for purposes of position limits with each Option aggregated as the equivalent of a Futures Contract.~~

[...]

Appendix 6D POLICY C-1: EXEMPTION REQUEST FROM A POSITION LIMIT

Appendix 6D-1 REQUEST

- (a) An Approved Participant or a client may file an exemption request from a position limit with the Bourse.

An exemption request must be addressed to the Regulatory Division in writing, and sent electronically.

- (b) An exemption request is made by filling out the appropriate form as determined by the Bourse and shall include the following information:

(i) a statement to the effect that the request is either a new request, a request for increasing a limit under an existing exemption or a request for the renewal of an existing exemption;

(ii) a detailed statement of the Open Positions and a description of upcoming positions in the Derivative. The statement shall include the number of contracts, the expected maturity of the positions and the direction (long or short) of the positions. In the case of Options, the statement must indicate the Exercise Price and the type of Option. The description of upcoming positions must contain the same information if it is available;

(iii) the requested position limit and desired duration of the exemption;

(iv) a statement to the effect that the positions are bona fide hedging Transactions or that they were taken or will be taken for risk management purposes;

This statement must be accompanied by a complete and accurate description of the positions taken in the Underlying Interest or in a Security related to the Underlying Interest of the Derivative for which the exemption is sought. The existence and ownership of the Underlying Interest or of the Security related to the Underlying Interest must be demonstrated;

(v) an undertaking to provide any information or document which the Bourse may deem relevant, including any information which allows the Bourse to assess the financial situation of the applicant;

(vi) an undertaking to provide the Bourse with ~~a daily~~ the required statement of open positions in the Derivative for which the exemption is sought and in any Underlying Interest or Security related to the Underlying Interest;

- (vii) an undertaking to comply with the Rules, policies and procedures of the Bourse as well as with the terms and restrictions of the exemption;
 - (viii) an undertaking to notify the Bourse without delay of any material change in the information provided with the exemption request;
 - (ix) an undertaking to liquidate the positions in an orderly fashion upon maturity or at any other time; and
 - (x) an acknowledgement that the Bourse may at any time, for valid reasons, modify or revoke an exemption from a position limit.
- (c) To be admissible, an exemption request shall serve a risk management purpose or shall relate to a Bona Fide Hedger account, as defined in Article 6.318 and Article 6.319 of the Rules. An exemption from a position limit shall not be granted for a speculative account.

~~(d) The following positions qualify as positions taken for risk management purposes:~~

~~(-) a position taken by a Person who regularly buys, sells or carries positions in the cash market underlying a Derivative; and~~

~~(-) a position taken by a Person who regularly buys, sells or carries positions in a Derivative on the stock market or OTC market. This market must be sufficiently liquid relative to the size of the position held.~~

~~(g)~~(d) An exemption request from a position limit shall be filed the moment the position limit for a specific Derivative Instrument listed on the Bourse is reached or the moment the Approved Participant or client realizes that the limit will be breached as a result of an anticipated Transaction.

Where an exemption request cannot be filed immediately, it shall be filed not later than 10:30 A.M. (Montreal time) on the first business day following the day on which the limit is reached and shall provide justification for the late filing of the request.

~~(h)~~(e) The Approved Participant or the client may file an application with the Vice-President, Regulatory Division, or his or her designee/delegate, to obtain an extension of the exemption request filing period. This application shall be filed before the Approved Participant or the client fails to file an exemption request within the prescribed time.

The time extension granted by the Vice-President, Regulatory Division, or his or her designee/delegate, to file a request for exemption shall not exceed five (5) business days after the day on which the position limit is reached.

- ~~(i)(f)~~ An Approved Participant or client who fails to comply with the prescribed time period for filing an exemption request must immediately liquidate the positions who excess the prescribed limit.

Appendix 6D-2 PROCESSING REQUESTS FOR EXEMPTION FROM POSITION LIMITS

- (a) If all the required information is included in an exemption request, the applicant shall be notified of the approval or refusal as soon as possible after the request is received by the Regulatory Division.
- (b) Only the Vice-President, Regulatory Division, or his or her designee/delegate, may decide to accept or refuse a request for exemption from a position limit.

The designee/delegate of the Vice-President, Regulatory Division shall come from the Regulatory Division. Before making a decision, the Vice-President, Regulatory Division, or his or her designee/delegate, may, at his or her discretion, consult other employees of the Bourse outside the Regulatory Division~~shall submit each exemption request to the internal consultation committee.~~

- ~~(a) The Internal Consultation Committee include the following persons or their designees:~~
- ~~(i) Vice President, Legal Affairs;~~
 - ~~(ii) Vice President, CDCC Risk Management;~~
 - ~~(iii) Vice President, Financial Markets; and~~
 - ~~(iv) Vice President, Research and Development.~~
- ~~(b) The internal consultation committee may be consulted in person, by phone or by electronic messaging.~~
- ~~(c) Each member of the internal consultation committee, or his or her designee, shall be provided with the exemption request form, all information provided with the exemption request and any other document on which the Vice-President, Regulatory Division, or his or her designee, intends to base his or her decision.~~
- ~~(d) The Vice President, Regulatory Division, or his or her designee, may issue a decision if the opinion of the members of the internal consultation committee cannot be obtained within a reasonable time.~~

Appendix 6D-3 CONSIDERED FACTORS IN ASSESSING AN EXEMPTION REQUEST FROM A POSITION LIMIT

- (a) The following factors shall be considered by the Vice-President, Regulatory Division, or his or her designee/delegate, when assessing an exemption request from a position limit:
 - (i) the reputation and financial capacity of the Approved Participant or the client;
 - (ii) the level of the Approved Participant's or the client's inventory in the Underlying Interest or in Securities related to such Underlying Interest relative to the limit sought by the Approved Participant or the client;
 - (iii) the Approved Participant's or the client's recent activity in the market for which the request is made;
 - (iv) the regular activity in the market for which the request is made (liquidity, Open Interest, etc.);
 - (v) the proposed strategy by the Approved Participant or the client; and
 - (vi) any other factor deemed relevant by the Vice-President, Regulatory Division or his or her designee/delegate.
- (b) The Vice-President, Regulatory Division, or his or her designee/delegate, may at any time require additional information from an Approved Participant or a client.

Appendix 6D-4 COMMUNICATION AND EFFECTS OF THE DECISION

- (a) The decision of the Vice-President, Regulatory Division, or of his or her designee/delegate, shall be communicated to the applicant as soon as possible, followed by written confirmation. When the exemption request is approved, the written confirmation shall set forth the terms and restrictions of the exemption.
- (b) The exemption shall be effective when the applicant receives the decision.
- (c) Where the Vice-President, Regulatory Division, or his or her designee/delegate, refuses an exemption request, the applicant shall have a reasonable time to liquidate, in an orderly fashion the positions that are in excess of the prescribed limit.

(d) Where the Vice-President, Regulatory Division, or his or her ~~designee~~delegate, refuses an exemption request from a client and the positions in excess of the prescribed limit are not liquidated in a reasonable time, the Vice-President, Regulatory Division, or his or her delegate may order each Approved Participant with whom the client carries a position to reduce such position proportionately.

(e) All exemptions from position limits are temporary.

The duration of an exemption is determined by the Vice-President, Regulatory Division, or his or her ~~designee~~delegate, and shall not exceed ~~three~~twelve (12) months from the filing of the request.

(f) The Vice-President, Regulatory Division, or his or her ~~designee~~delegate, may review, amend or terminate an exemption.

Appendix 6D-5 RENEWING, AMENDING, REVOKING OR INCREASING AN EXEMPTION

(a) An Approved Participant or a client wishing to increase or renew the limit under an exemption from a position limit must file an exemption request using the appropriate form.

(b) An Approved Participant or a client wishing to increase the limit under an exemption from a position limit must file a request for exemption, which ~~The exemption request shall be filed the moment it becomes obvious that the limit is insufficient, but not later than 10:30 A.M. (Montréal time) on the business day following the day on which the limit is breached.~~ The exemption request shall be filed the moment it becomes obvious that the limit is insufficient, but not later than 10:30 A.M. (Montréal time) on the business day following the day on which the limit is breached.

(c) An Approved Participant or a client wishing to renew an exemption from a position limit must file a request for exemption with the Vice-President, Regulatory Division. The exemption request shall be filed not later than ten (10) business days before the expiration date of the exemption.

(d) The decision-making process set forth in Appendices 6D-2, 6D-3 and 6D-4 ~~Parts II, III and IV~~ of this Policy shall apply when an Approved Participant or a client requests an increase or renewal of a limit under an exemption from a position limit.

