



CIRCULAR 160-20
September 18, 2020

SECOND REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO ACCOMMODATE THE EXTENSION OF THE BOURSE'S TRADING HOURS

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) and the Special Committee of the Regulatory Division of the Bourse (the “**Committees**”) approved amendments to the Rules of the Bourse to accommodate the extension of the Bourse’s trading hours on March 10, 2020 and March 17, 2020 (the “**Approved Proposal**”). The Approved Proposal was published for comments on August 5, 2020 (Circular [135-20](#)).

Following the publication the Approved Proposal, the Committees approved additional modifications to Article 9.3 of the Rules of the Bourse in order to adapt the Rules of the Bourse to the rule amendments proposed by the Canadian Derivatives Clearing Corporation (“**CDCC**”) in the context of the Bourse’s extension of its trading hours. These rule amendments were published for comments by CDCC on August 5th, 2020 (Notice to members [2020-104](#)).

Please find enclosed a modified analysis document (additions to Section II. *Proposed Amendments* are underlined) as well as the proposed rule amendments.

Comments on the proposed amendments must be submitted at the latest on **October 19, 2020**. Please submit your comments to:

Alexandre Normandeau
Legal Counsel
Bourse de Montréal Inc.
1800-1190 av des Canadiens-de-Montréal
P.O. Box 37
Montreal, Quebec H3B 0G7
E-mail: legal@tmx.com

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

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec (Québec) G1V 5C1
Fax : (514) 864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

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.

Tour Deloitte

1800-1190 avenue des Canadiens-de-Montréal, P.O. Box 37, Montreal, Quebec H3B 0G7
Telephone: 514 871-2424

Toll free within Canada and the U.S.A.: 1 800 361-5353

Website: www.m-x.ca



**AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO ACCOMMODATE THE
EXTENSION OF THE BOURSE'S TRADING HOURS**

TABLE OF CONTENTS

I.	DESCRIPTION	2
II.	PROPOSED AMENDMENTS	3
III.	ANA LYSIS	5
a.	Background	5
b.	Objectives	5
c.	Comparative Analysis	6
d.	Analysis of Impacts	8
i.	Impacts on Market	8
ii.	Impacts on Technology	9
iii.	Impacts on regulatory functions	9
iv.	Impacts on clearing functions	10
v.	Public Interest	11
IV.	PROCESS	11
V.	ATTACHED DOCUMENTS	11

All times indicated in this document are Eastern Time (ET), unless otherwise stated.

I. DESCRIPTION

The Bourse de Montréal Inc. (the “Bourse”) has extended its trading hours (opening its market at 2:00 a.m. ET) on October 9, 2018 for all interest rate derivatives and on February 25, 2019 for all index futures (the “Initial Extended Hours Initiative”). In light of the substantial activity taking place during these additional four hours of trading, the Bourse is proposing to broaden this initiative by further extending its trading hours and opening its market at 8:00 p.m. ET (t-1), for an additional six hours of trading (the “Asian Trading Hours Initiative”).

The Bourse is proposing to update its Rules to accommodate once again the prolongation of its trading hours. This initiative is in line with the Bourse’s mission to be a client-focused and globally recognized leading derivatives exchange, as it will allow domestic and international clients to manage their exposure to Canadian markets and execute various strategies outside of regular Canadian business hours. The Asian Trading Hours Initiative will also allow the Bourse to provide liquidity and transparency to the marketplace for a greater period of time. Consequently, the Bourse proposes to amend its Rules to facilitate global access to its market for a greater period of time.

The products in scope for the Asian Trading Hours Initiative are the Interest Rate Derivatives, Index Futures and Sector Index Futures of the Bourse¹.

Interest Rate Derivatives

In the context of an 8:00 p.m. open, the pre-opening period for interest rate derivative products will shift from a 1:30 a.m. start and a 1:59:15 a.m. ending time to a 7:30 p.m. start and a 7:59:15 p.m. ending time (t-1). The opening time will shift from 2:00 a.m. (+/- 15 seconds) to 8:00 p.m. (+/- 15 seconds, t-1). Following the opening period, these products will trade continuously until the end of the trading day (4:30 p.m.).

Index Futures & Sector Index Futures

The impact on trading stages for index products will be a pre-opening period starting at 7:30 p.m. and ending at 7:59 p.m. (t-1), rather than starting at 1:30 a.m. and ending at 1:59 a.m., and a shift in the opening time for the early session from 2:00 a.m. to 8:00 p.m. (t-1). Following the opening period, these products will trade until 9:15 a.m., followed by a second pre-opening stage from 9:15 a.m. to 9:29 a.m. (identical to the current regular trading session). At 9:30 a.m., markets will open (regular session) and products will trade continuously until the end of the trading day (4:30 p.m.).

Trading Sessions

- As mentioned above, for interest rate derivative products, the trading day will start at 8:00 p.m. (t-1) and will end at 4:30 p.m., and will consist of one single continuous trading session.
- For index derivatives, the trading day will consist of two trading sessions: an early session from 8:00 p.m. (t-1) to 9:15 a.m. and a regular session from 9:30 a.m. to 4:30 p.m.

¹ Refer to Trading Hours and Stages for the complete list of products in each category.

II. PROPOSED AMENDMENTS

The Bourse has determined that the Asian Trading Hours Initiative does not require any material amendments to its Rules. In fact, the Bourse proposes to keep the same framework as during the existing extended hours period (between 2:00 a.m. and 6:00 a.m. ET). The Bourse expects liquidity conditions to be similar throughout non-Canadian business hours and has chosen to be consistent with the operating model to minimize the impacts on its market participants. Therefore, the only specific amendment requested is with respect to Article 6.206, related to the Block Trade table, to adjust the opening hour where the extended hours thresholds and prescribed time delay are applicable. The proposed modifications are presented in the tables below.

Table 1: *Current column title of the Block Trade Table*

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 2AM until 5h59m59s)	Block - Minimum volume threshold (from 2AM until 5h59m59s)
[...]	[...]	[...]	[...]	[...]

Table 2: *Proposed column title of the Block Trade Table*

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1) until 5h59m59s)
[...]	[...]	[...]	[...]	[...]

The minimum block volume thresholds (approximately $\frac{1}{4}$ of the regular hours thresholds) and the one hour prescribed time delay, currently in force between 2:00 a.m. and 6:00 a.m., will be effective from the new opening time 8:00 p.m. (t-1) until 6:00 a.m. As stated in the Initial Extended Hours Initiative, the Bourse is of the view that having lower block thresholds during non-local trading hours will help promote trading opportunities and will be more adapted to a market environment in which liquidity may initially be more challenging.

Additionally, as part of the Initial Extended Hours Initiative, the Bourse clarified two terms used in the Rules: trading day and trading session. A trading day, with respect to a product listed on the Bourse, may be composed of one or more trading sessions². The definition of Trading Day put in place also captures the fact that it may differ from one listed product to another (due to the opening and closing times, early close on specific days, etc). The Bourse has replaced, in certain instances and where appropriate, the term “Trading Session” by “Trading Day” in the Rules of the Bourse. These amendments regarding the definition of trading day remain valid and applicable in the context of the Asian Trading Hours Initiative. Specifically, a trading day for products in scope will begin as of the opening time on t-1 and will end at the closing time on t.

² This is the case for index derivatives product

Table 3: Proposed trading stages: **Interest Rate Derivatives**

Trading Stages	Current Time	Proposed Time
Pre-opening	1:30 a.m.	7:30 p.m. (t-1)
No-cancel	1:59:15 a.m.	7:59:15 p.m. (t-1)
Opening (regular session)	2:00 a.m. (+/- 15 seconds)	8:00 p.m. (+/- 15 seconds) (t-1)
Closing	4:30 p.m.	4:30 p.m.

Table 4: Proposed trading stages: **Index Futures & Sector Index Futures**

Trading Stages	Current Time	Proposed Time
No-cancel	1:59 a.m.	7:59 p.m. (t-1)
Opening (early session)	2:00 a.m.	8:00 p.m. (t-1)
Pre-opening	9:15 a.m.	9:15 a.m.
No-cancel	9:29 a.m.	9:29 a.m.
Opening (regular session)	9:30 a.m.	9:30 a.m.
Closing	4:30 p.m.	4:30 p.m.

Finally, as part of this Asian Trading Hours Initiative, the Canadian Derivatives Clearing Corporation (“CDCC”) adapted its rules and manuals and proposed new risk management tools in order to manage overnight uncovered risk. One of these risk management tools required certain modifications to Article 9.3 of the Rules.

CDCC is proposing to create a new status (the “Restricted status”) for a clearing member that would be unable to meet an overnight margin call or that would breach a predetermined threshold of uncovered risk during the overnight clearing cycle (defined as the period between 8 p.m. to 6 a.m. ET). A Restricted clearing member’s participation in the Bourse’s overnight trading session would be halted for the rest of the overnight clearing cycle, i.e. trading access and give-up agreements would be cut off, and any orders in the order book would be cancelled, including orders of Approved Participants clearing through such clearing member. While allowing CDCC to perform an assessment of a clearing member’s solvability and liquidity conditions, the introduction of this Restricted status reduces the risk of excessive time-related stress and/or misjudgement, as well as the risk of inadvertently triggering a default management procedure.

The proposed amendments to Article 9.3 of the Rules allow the Vice President of the Regulatory Division to instruct the Market Operations Department to suspend access and/or cancel any orders by a restricted clearing member for itself and for the Approved Participants that clear through such clearing member, as required under the rules of CDCC. The Vice President of the Regulatory Division will only act on this new provision when the President or Chief Risk Officer of CDCC informs the Bourse that a clearing member has been placed under the Restricted Status. Once the Restricted Status is lifted by CDCC and the President or Chief Risk Officer of CDCC confirms to the Bourse thereof, the Vice President of the Regulatory Division will instruct the Market Operations Department to reinstate the access of the clearing member and Approved Participants to the trading system of the Bourse.

III. ANALYSIS

a. Background

Throughout its history, the Bourse has mostly been a Canadian focused derivatives exchange, primarily developing products and services suitable for the Canadian market and establishing itself as Canada's benchmark. While the Bourse is undoubtedly a strong local exchange, the need for Canadian listed derivatives is growing globally and market participants' needs are evolving.

Given the market environment and globalisation trend affecting many industries, the Bourse decided to extend its trading hours for the first time in 2018. The Initial Extended Hours Initiative for which the opening hours of the Bourse moved from 6:00 a.m. to 2:00 a.m. ET took place in 2 steps: the trading hours for all interest rate derivatives were extended on October 9, 2018, and then for all index futures on February 25, 2019.

In light of the successful launch of the Initial Extended Hours Initiative, the Bourse has received an overwhelmingly positive response from clients and has witnessed a promising level of market participation to date. Following the [business and trading analysis](#) performed six months after the implementation of the Initial Extended Hours Initiative (for interest rate derivatives) and the result of the first full calendar year of extended hours trading (Table 5 below), the Bourse is encouraged by the initial demand for its products in non-regular Canadian business hours.

Table 5: Extended Hours trading statistics on the Bourse's flagship products

Product	2019 ADV (2:00 a.m. to 6:00 a.m. ET)	% of 2019 ADV (daily volume)
All products in scope	12,092	4.24%
BAX	4,432	3.88%
CGB	6,881	5.44%
SXF	858	3.36%

Source: Montréal Exchange

As a result, the Bourse is planning to further develop on this initiative, specifically to extend its trading hours further by opening the market at 8:00 p.m. ET (t-1), for an additional six hours of trading. The closing time will remain unchanged at 4:30 p.m. (ET). The Bourse believes the timing is right to consider extending its trading hours once more in order to remain relevant, continue to grow the derivatives trading market and address the needs of existing and new market participants as well as end-users.

b. Objectives

The main objective of the proposed changes, similar to that of the Initial Extended Hours Initiative, is to accommodate trading and risk management needs globally. Just like many Canadian-based market participants have expanded their offerings beyond Canada, the Bourse believes the Asian Trading Hours Initiative will help fulfill these needs and will allow domestic and international clients to manage their exposure to Canadian markets with more flexibility. By making its products

available for trading for an additional six hours, the Bourse will provide liquidity and transparency to the marketplace for a greater period of time.

Additionally, the Asian Trading Hours Initiative will further support the global expansion of the Bourse by:

- Enhancing global access to the Canadian listed derivatives market;
- Reducing barriers to entry for foreign investors;
- Increasing brand awareness and increasing usage of the Bourse’s derivatives worldwide.

c. Comparative Analysis

Over the past ten years, Europe and Asia have accounted for 66% of global futures volume. The Asia region alone represents almost 40% of the global futures market. Furthermore, the Asia region achieved a 17% futures volume growth rate per year for the last two years. Figure 1 below presents the evolution of future contracts volume by region from 2010 to 2019.

Figure 1: Global Futures Volume by Region



Source: FIA

Based on international benchmarking, there is no consensus with regards to trading opening and closing times, but the strong trend for derivatives exchanges is to be open at least 20 hours to capture the global trading day. The proposal put forward would better align the Bourse with global peers.

Table 6: Derivatives Exchanges - Trading Hours (converted to ET)

Exchange	STIRs Futures	Bond Futures	Equity Index Futures	Total Hours
CME	6:00 p.m. - 5:00 p.m.	6:00 p.m. - 5:00 p.m.	6:00 p.m. - 5:00 p.m.	23H
ICE	8:00 p.m. - 4:00 p.m.**	8:00 p.m. - 4:00 p.m.**	8:00 p.m. - 4:00 p.m.**	20H
Eurex	3:00 a.m. - 2:00 p.m.	8:00 p.m. - 5:00 p.m.	8:00 p.m. - 5:00 p.m.	21H
ASX*	3:00 a.m. - 2:30 a.m.	3:00 a.m. - 2:30 a.m.	3:00 a.m. - 2:30 a.m.	23.5H
SGX*	7:30 p.m. - 4:45 p.m.	7:30 p.m. - 4:45 p.m.	7:30 p.m. - 4:45 p.m.	21.25H
HKEX*	8:30 p.m. - 5:00 a.m.	N/A	9:15 p.m. - 1:00 p.m.	15.75H

*Trading day is divided in multiple sessions

**Variable hours depending on the product

Being a North American exchange, CME is deemed the best comparable the Bourse can use to help determine the expected volume that could be achieved during Asian trading hours in the long term, as CME has been in business during European/Asian hours for many years. On the other hand, the Asian trading hours implementation on Eurex is fairly new (December 10, 2018). Eurex volume executed during Asian hours accounts for ~1% of daily volume, growing every quarter³. ASX's volume is the most well distributed throughout the entire trading day. While the Bourse acknowledges the differences in time zone dynamics surrounding North America vs Australia, ASX's volume statistics certainly sheds light on the long-term potential for significant volume growth during extended trading hours. ASX has been in business during European/Asian hours for many years as well. Table 7 below provide more information and statistics surrounding extended hours framework on other exchanges.

Table 7: Derivatives Exchanges - Extended Hours statistics

	MX (2019)	CME	Eurex	ASX
Extended Hours volume as a % of overall volume*	4%	15%	1%	29%
Products	Interest rate & index derivatives			
Length of extended hours period	4 hours	10 hours	7 hours	14 hours
Extended Hours session time	2:00 a.m. to 6:00 a.m. ET	8:00 p.m. to 6:00 a.m.** ET	1:00 a.m. to 8:00 a.m. CET	5:10 p.m. to 7:00 a.m. AEST
Maturity level in extended hours trading space	Not mature	Very mature	Not mature	Very mature

*Overall volume of products available for trading during the extended hours. Source: Montreal Exchange

**CME trading session runs continuously from 5:00 pm to 4:00 pm (t+1). We have observed CME's volumes from 8:00 pm to 6:00 am ET for this exercise. Source: Montreal Exchange and Bloomberg

³ <https://www.eurexchange.com/exchange-en/trading/thx>

d. Analysis of Impacts

i. Impacts on Market

As for the Initial Extended Hours Initiative, it is the Bourse's objective to offer the same level of services and trading experience for the full length of the trading day, regardless of the time. Therefore, for the Asian Trading Hours Initiative, the Bourse will make the necessary adjustments⁴ to its system to ensure a seamless transition for participants throughout the entire trade lifecycle. Additionally, the Bourse will offer continuous trading and clearing support, as well as market operations supervision during the entire trading day.

Impacts on market liquidity: The Bourse recognizes that market liquidity during non-regular hours may be more scarce, especially in the early stage of implementation. Like any new product the liquidity of which needs to be built over some period of time, the Bourse is confident that liquidity can and will develop during these additional trading hours. The Bourse is committed to doing everything in its power to foster the development of healthy liquidity during extended, as well as regular, trading hours. Similarly to what was done for the Initial Extended Hours Initiative, the Bourse is seeking partnerships with domestic and international firms to support such liquidity, either by way of market making programs, volume rebate programs, or other potential incentive programs to ensure all winning conditions are present to allow liquidity to develop.

Impacts on market integrity: Ensuring the most optimal levels of market integrity is also an unequivocal commitment of the Bourse. While the Bourse certainly agrees that market depth and liquidity are strong and effective natural protections against market integrity risks, the Bourse has appropriate tools in place to protect and maintain market integrity where market depth and liquidity alone are not enough. The same tools and standards used during today's trading hours will apply consistently during the Asian trading hours. For example, the Market Operations Department will be open and appropriately staffed during the whole trading day. The Bourse's Regulatory Division will expand the scope of its market monitoring to include the trading activities occurring during the Asian trading hours to determine whether the Rules of the Bourse are being complied with and to detect and take appropriate actions against any potential abusive or manipulative trading practices. As is presently the case, the Rules of the Bourse will apply for the entire trading day, during all trading sessions.

Market access model: In 2018, the Bourse expanded the definition of "Approved Person" to support the modernization of the Bourse's market access model and to support the Bourse's Initial Extended Hours Initiative. The eligibility criteria for Approved Persons were modified to allow employees of a Participant's affiliate to be eligible and authorized to execute trades on behalf of a Participant and its clients.

Notwithstanding the foregoing, it remains the responsibility of the Participants to ensure that their affiliates and Approved Persons comply with the applicable laws and regulations in the jurisdiction they are located respectively (including licensing and registration requirements) in relation to trading on the Bourse and servicing clients. The Bourse does not regulate these matters.

⁴ See section ii

Communication with participants: As the Bourse did for the Initial Extended Hours Initiative in 2018, a proper communication strategy has been designed and is currently being implemented, to ensure industry readiness. The Bourse is mindful that the Asian Trading Hours Initiative might bring some challenges for some market participants and considers it is appropriate to socialize the operating model envisioned at an early stage with all key stakeholders, including regulators, industry associations, technology providers, Approved Participants and Clearing Members. The Bourse wishes to give enough lead time before implementing the Asian Trading Hours Initiative, to make sure that market participants can adapt to this expanded trading and clearing framework if necessary. Consequently, the target launch of the Asian Trading Hours Initiative is currently planned for Q1 2021.

ii. Impacts on Technology

Technological impact assessment and management are an integral part of the Asian Trading Hours Initiative. The Bourse is engaging with its participants and members, as well as independent software vendors, with respect to technological and operational impacts, and will continue to do so along the course of the project in order to ensure technological and operational readiness upon launch. Communications will also continue to take place following the launch. To support the launch of the Asian Trading Hours Initiative, the Bourse needs to further develop and modify its systems, predominantly with respect to the trading timeline. The Bourse will also bring changes to its various system gateway schedules (including connectivity, trading and post trading related gateways). This shall ensure the orderly dissemination of information and a smooth transition to an earlier opening time. These developments have been clearly identified internally and an appropriate rollout plan has been established. A circular will be published prior to the effective date of any changes to product trading hours and stages, just as it is the case today when a change impacting the Bourse's products is implemented.

iii. Impacts on regulatory functions

The Regulatory Division has reviewed and evaluated the impacts of the project on its regulatory activities. The Regulatory Division is responsible for the oversight of the application of the Rules of the Bourse by the Approved Participants and their employees, agents and clients, and enforcement thereof as needed to ensure market integrity. While the Regulatory Division should be and is involved in any commercial initiative that may have regulatory consequences or require rule modifications with respect to which it may have an interest, the Regulatory Division independently reviews and analyzes such proposals to assess the impacts on its activities as well as those of the Approved Participants and, when appropriate, proposes rule changes.

The Regulatory Division has determined that the same requirements applicable during the current trading day will continue to apply for compliance, supervision and reporting during the new trading hours. The daily publication of margins by the Regulatory Division will not be affected, the reporting time for Large Open Position Reporting ("LOPR") will remain unchanged, and Approved Participants will report their end of day position the same way it is done presently (i.e. no later than 9:00 am (ET) on the business day following the one for which positions must be reported).

To determine whether the Rules are being complied with and to detect and take appropriate actions against any potential abusive or manipulative trading practices, the Regulatory Division will adapt its surveillance system to extend the scope of the monitoring to include trading

activities during the new trading hours. Following the launch of the Initial Extended Hours Initiatives in 2018, the Regulatory Division performed an independent analysis by collecting and analyzing market data including trading volume, price volatility, price correlation between comparable futures contracts and special terms transactions, and published its observations on March 29, 2019 (Circular 055-19). As it expects liquidity conditions to be similar throughout the non-Canadian business hours, the Regulatory Division does not foresee further changes. Nonetheless, it will continue to assess market conditions and product liquidity to ensure effective and efficient surveillance activities.

The Rules require Approved Participants to establish and maintain a system to supervise the activities of each of their employees that is reasonably designed to achieve compliance. As Approved Participants can authorize clients to electronically transmit orders to the Bourse through their systems using their identifier, they must also comply with the Electronic Trading Rules⁵, especially regarding the risk management and supervisory controls, policies and procedures, as well as the use of automated order systems.

Therefore, Participants may choose to either apply their current surveillance and compliance system during the new trading hours or modify it to better reflect their structure and risks. If such is the case, the Regulatory Division expects Approved Participants to ensure that the system implemented during the new trading hours is reasonably designed to ensure compliance including trades executed by clients via electronic trading access.

iv. Impacts on clearing functions

In order to manage overnight risk, CDCC will introduce real-time monitoring for clearing members who are supporting clearing of contracts that trade during the overnight session. The participation will be determined by position movements and CDCC will have the capacity to monitor uncovered exposure from movements in Initial Margin and Variation Margin. A threshold will be calibrated with respect to CDCC's risk appetite and margin calls will be issued for clearing members whose uncovered exposure exceeds the specified threshold (e.g. threshold could represent an equivalent of 10% of the clearing member's margin requirement).

CDCC will allow clearing members who face a margin call during the extended hours to post eligible foreign currencies (Euro and one or more Asian-region currencies, still to be determined) overnight through a correspondent banking framework, should the Canadian banking system be closed when the margin call occurs. All other current collateral eligibility criteria (securities and cash) will also be maintained. CDCC will also allow clearing members to effectively manage their overnight exposure by posting excess collateral prior to the Asian opening.

In addition, as per its regulatory requirements, CDCC retains the authority and operational capacity to make unscheduled intraday margin calls based on additional margin calculations performed during the overnight session (discretionary margin call).

⁵[Regulation 23-103 respecting Electronic Trading and Direct Electronic Access to Marketplaces](#)

v. Public Interest

Because the Asian Trading Hours Initiative addresses the needs of existing market participants and aims to enhance market participation and trading activities, among other things, the Bourse considers this initiative to be in the interest of the public. To help ensure a smooth transition to an 8:00 p.m. (t-1) market open environment (given the potential impacts on participants' usual tradeflow and operations), the Bourse is providing market participants with as much transparency as possible regarding the trading and clearing models, as well as the implementation phases. The Bourse continues to work with all relevant stakeholders to deliver a solution that will be beneficial to Canadian and foreign market participants. Additionally, the Asian Trading Hours Initiative is expected to bring further price discovery and transparency to the Canadian listed derivatives marketplace in the long term, which the Bourse believes to be two desirable features of a healthy functioning financial market.

IV. PROCESS

The proposed amendments, including this analysis, must be approved by the Bourse's Rules and Policies Committee and submitted to the Autorité des marchés financiers, in accordance with the regulatory self-certification process, and to the Ontario Securities Commission for information purposes. Subject to public comments, the proposed amendments will take effect in Q1 2021.

V. ATTACHED DOCUMENTS

Proposed Rule changes.

Compared version

Article 6.206 Block Trades

- (a) In general. Approved Participants may negotiate and execute a Transaction off of the Electronic Trading System pursuant to the following conditions:
- (i) A block trade Transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.
 - (ii) Block trades are only permitted in the Derivative Instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows (only to the extent the eligible security or derivative instrument is available for trading):

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 2AM 8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1) 2AM until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
30-Day Overnight Repo Rate Futures Contracts (ONX)	15 minutes	1,000 contracts	1 hour	250 contracts
Overnight Index Swap Futures Contracts (OIS)	15 minutes	200 contracts	1 hour	50 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	15 minutes 30 minutes	1,500 contracts 3,500 contracts	1 hour	350 contracts
Two-Year Government of	15 minutes	250 contracts	1 hour	100 contracts

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 2AM-8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1)2AM until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
Canada Bond Futures Contracts (CGZ)				
30-Year Government of Canada Bond Futures Contracts (LGB)	15 minutes	100 contracts	1 hour	100 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts	1 hour	100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	15 minutes	2,000 contracts	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies one	Not applicable	Not applicable	1 hour	500 contracts

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 2AM-8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1)2AM until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
through four (BAX Whites)				
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	15 minutes	1,000 contracts	1 hour	250 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	15 minutes	500 contracts	1 hour	100 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX) / Options on Three-Month Canadian	15 minutes	Sum of the strategy legs: 2,000 contracts in which the options leg(s) volume must amount to at least 50% of the	1 hour	Sum of the strategy legs: 2,000 contracts in which the options leg(s) volume must amount to at least 50% of the

Clearing Corporation rules, the Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by the non-conforming Clearing Approved Participant for itself or for the Approved Participants, and in respect of the particular Listed Products that the Clearing Approved Participant clears.

(c) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been deemed as restricted clearing member during the overnight clearing cycle as defined under Clearing Corporation rules and manuals, the Vice President, Regulatory Division, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by such Clearing Approved Participant for itself and/or for any Approved Participants that clear their transactions through such Clearing Approved Participant.

~~(de)~~ Upon being notified by a Clearing Approved Participant as provided in paragraph (a) that it has suspended or terminated its clearing relationship with an Approved Participant, the Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by or for the non-conforming Approved Participant in respect of the particular Listed Products cleared by the notifying Clearing Approved Participant.

~~(ee)~~ The Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department to reinstate access to the Trading System:

(i) for a Clearing Approved Participant (and the Approved Participants for which it clears) who has been suspended, has had its membership terminated or became non-conforming, upon notification by the President or the Chief Risk Officer of the Clearing Corporation that the Clearing Approved Participant has been reinstated and is in good standing;

(ii) for an Approved Participant, upon notification by a Clearing Approved Participant in good standing that it has established a clearing relationship with the Approved Participant.

(iii) for a Clearing Approved Participant who has been deemed as a restricted clearing member and for Approved Participants that clear their transactions through such Clearing Approved Participant, upon notification by the President or the Chief Risk Officer of the Clearing Corporation that the restricted clearing member status has been lifted for such Clearing Approved Participant;

| (fe) The Vice President, Regulatory Division, may make the decisions under this Article acting in his or her sole discretion. However, nothing in this Article precludes the Vice President, Regulatory Division from consulting any other official of the Bourse in making the decisions under this Article or in submitting such decisions to the Special Committee for a determination.

Clean version

Article 6.206 Block Trades

- (a) In general. Approved Participants may negotiate and execute a Transaction off of the Electronic Trading System pursuant to the following conditions:
- (i) A block trade Transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.
 - (ii) Block trades are only permitted in the Derivative Instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows (only to the extent the eligible security or derivative instrument is available for trading):

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1) until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
30-Day Overnight Repo Rate Futures Contracts (ONX)	15 minutes	1,000 contracts	1 hour	250 contracts
Overnight Index Swap Futures Contracts (OIS)	15 minutes	200 contracts	1 hour	50 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	15 minutes 30 minutes	1,500 contracts 3,500 contracts	1 hour	350 contracts
Two-Year Government of	15 minutes	250 contracts	1 hour	100 contracts

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1) until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
Canada Bond Futures Contracts (CGZ)				
30-Year Government of Canada Bond Futures Contracts (LGB)	15 minutes	100 contracts	1 hour	100 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts	1 hour	100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	15 minutes	2,000 contracts	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies one	Not applicable	Not applicable	1 hour	500 contracts

Eligible derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 8PM (t-1) until 5h59m59s)	Block - Minimum volume threshold (from 8PM (t-1) until 5h59m59s)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
through four (BAX Whites)				
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	15 minutes	1,000 contracts	1 hour	250 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	15 minutes	500 contracts	1 hour	100 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX) / Options on Three-Month Canadian	15 minutes	Sum of the strategy legs: 2,000 contracts in which the options leg(s) volume must amount to at least 50% of the	1 hour	Sum of the strategy legs: 2,000 contracts in which the options leg(s) volume must amount to at least 50% of the

Clearing Corporation rules, the Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by the non-conforming Clearing Approved Participant for itself or for the Approved Participants, and in respect of the particular Listed Products that the Clearing Approved Participant clears.

- (c) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been deemed as restricted clearing member during the overnight clearing cycle as defined under Clearing Corporation rules and manuals, the Vice President, Regulatory Division, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by such Clearing Approved Participant for itself and/or for any Approved Participants that clear their transactions through such Clearing Approved Participant.
- (d) Upon being notified by a Clearing Approved Participant as provided in paragraph (a) that it has suspended or terminated its clearing relationship with an Approved Participant, the Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by or for the non-conforming Approved Participant in respect of the particular Listed Products cleared by the notifying Clearing Approved Participant.
- (e) The Vice President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department to reinstate access to the Trading System:
 - (i) for a Clearing Approved Participant (and the Approved Participants for which it clears) who has been suspended, has had its membership terminated or became non-conforming, upon notification by the President or the Chief Risk Officer of the Clearing Corporation that the Clearing Approved Participant has been reinstated and is in good standing;
 - (ii) for an Approved Participant, upon notification by a Clearing Approved Participant in good standing that it has established a clearing relationship with the Approved Participant.
 - (iii) for a Clearing Approved Participant who has been deemed as a restricted clearing member and for Approved Participants that clear their transactions through such Clearing Approved Participant, upon notification by the President or the Chief Risk Officer of the Clearing Corporation that the restricted clearing member status has been lifted for such Clearing Approved Participant;

- (f) The Vice President, Regulatory Division, may make the decisions under this Article acting in his or her sole discretion. However, nothing in this Article precludes the Vice President, Regulatory Division from consulting any other official of the Bourse in making the decisions under this Article or in submitting such decisions to the Special Committee for a determination.