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**CIRCULAR**  
**November 2, 2011**

## **REQUEST FOR COMMENTS**

### **AMENDMENTS TO THE PROCEDURES FOR THE EXECUTION OF BLOCK TRADES TRANSMITTING BLOCK TRADE REPORTING FORMS VIA THE BOURSE DE MONTRÉAL WEBSITE**

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved the amendments to the Procedures for the Execution of Block Trades (the “**Procedures**”) in order to allow the approved participants of the Bourse to submit their block trade reporting form via the Bourse’s website.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of this notice, at the latest on **December 2, 2011**. Please submit your comments to:

*Mr. François Gilbert*  
*Vice-President, Legal Affairs, Derivatives*  
*Bourse de Montréal Inc.*  
*Tour de la Bourse*  
*P.O. Box 61, 800 Victoria Square*  
*Montréal, Quebec H4Z 1A9*  
*E-mail: [legal@m-x.ca](mailto:legal@m-x.ca)*

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

*Ms. Anne-Marie Beaudoin*  
*Corporate Secretary*  
*Autorité des marchés financiers*  
*800 Victoria Square, 22<sup>nd</sup> Floor*  
*P.O. Box 246, Tour de la Bourse*  
*Montréal (Quebec) H4Z 1G3*  
*E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)*

Circular no.:165 -2011

## **Appendices**

For your information, you will find in appendices an analysis of the proposed amendments as well as the amended Procedures. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as determined by the *Derivatives Act* (R.S.Q., 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 and Procedures. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as determined by the Derivatives Act (R.S.Q., chapter I-14.01).

Circular no.: 165-2011

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## PROCEDURES FOR THE EXECUTION OF BLOCK TRADES

### TRANSMITTING BLOCK TRADE REPORTING FORMS VIA THE BOURSE DE MONTRÉAL WEBSITE

#### Introduction

Bourse de Montréal Inc. (the “**Bourse**”) hereby proposes to add a web-based Block Trade Reporting Form by which Approved Participants (“APs”) can submit block transactions to the Bourse’s Market Operations Department (“MOD”) for validation via the Bourse’s website, provided for under the Procedures for the Execution of Block Trades (the “**Procedures**”).

#### I. DETAILED ANALYSIS

##### A. Rationale

Under the Rules of the Bourse, block trades in derivatives instruments listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of article 6380 and of the procedures established by the Bourse.

Paragraph b) of the Procedures provides that *both the seller and buyer must complete and submit the Block Trade reporting form (Attachment 1) or such **other** notification as prescribed by the Bourse to a market official of the Bourse’s MOD.*

Presently the above-mentioned Block Trade Report Form is only available in hard copy format and can therefore only be transmitted to the Bourse via fax. APs have requested that the Bourse create a web-based form that can be filled out on screen and be transmitted to the Bourse via the Bourse’s website.

Allowing APs the option of transmitting the Block Trade Report Form via the Bourse’s website would facilitate record keeping in that the forms will be saved electronically on the Bourse’s computer network. Furthermore the distribution of block trades can be distributed to the various divisions (i.e. Regulatory Division) of the Bourse much more efficiently via this facility as the various divisions of the Bourse that require this information, can be included in the distribution list. This is also true in the case of the AP as they too must transmit copies of off-exchange transactions such as block trades to their respective compliance departments.

Based on the arguments presented, the Bourse is of the opinion that giving APs the option of transmitting block trades via the Bourse’s website would streamline block trade transmission as well as allowing all interested parties to receive the required information in a far more efficient and timely manner while at the same time facilitating record keeping for all interested parties.

## B. Benchmarking

The following exchanges accept block trades:

EXCHANGES	Australian Securities Exchange (ASX)	Chicago Mercantile Exchange (CME)	NYSE Euronext
PRODUCTS	90 Day Bank Bill Futures	Eurodollar Futures	Three Month Euro (EURIBOR) Interest Rate Futures
	10 Year Treasury Bond Contracts	10-Year U.S. Treasury Note Futures	Long Gilt Futures
TRANSMISSION METHOD	<p><b>3. Registration</b></p> <p>Participants to a Block Trade executed during the day session must each complete the Block Trade Facility Registration Form and submit the form to the Exchange for validation or submit the details via the registration system within five (5) minutes of the time at which the Block Trade order was communicated to the Exchange. Trading Participants to a Block Trade executed during the night session must complete the Block Trade Facility Registration Form and submit the form to the Exchange for validation or submit the details via the registration system between 8:30 am and 9:30 am on the following business day.</p>	<p><b>1. CME ClearPort</b></p> <p>Block trades may be electronically reported to CME Clearing via CME ClearPort. You must be registered in CME ClearPort as a broker to enter trades on your own, or as a trader if you are the designated party to a trade. The CME ClearPort demo provides an excellent introduction for registering and submitting ex pit transactions:</p> <p><b>2. Globex Control Center ("GCC")</b></p> <p>Almost all block trades may be reported to the GCC. The seller reports the trade by calling the GCC at 312.456.2391 within five minutes of execution. When the GCC is closed, the block trade must be reported no later than five minutes prior to the opening of the next electronic trading session for that product. The seller then has their clearing firm type the trade into Front End Clearing (FEC). Parties/executing brokers familiar with the block trade procedures designated by the Contacting firm can call trades into the GCC without ClearPort registration, although the exchange prefers parties who are ClearPort registered.</p>	<p><b>4.5.19</b> Once a Block Trade has been organized, the Block Trade Executing Member must submit details, contained in Trading Procedure 4.5.17 (ii) to (vii) inclusive, of the Block Trade to the relevant Euronext Market Undertaking via LIFFE CONNECT® as soon as practicable.</p>

## **II. PROPOSED REGULATORY AMENDMENTS**

The Bourse proposes to amend the Procedures to allow Approved Participants to submit block transactions via a web-based Block Trade Reporting Form.

## **III. OBJECTIVES AND CONSEQUENCES**

The addition of a web-based Block Trade Reporting Form will achieve the objective of ensuring the streamlining of block trade transmission as well as allowing all interested parties to receive the required information in a far more efficient and timely manner while at the same time facilitating record keeping for all interested parties.

## **IV. PUBLIC INTEREST**

The addition of a web-based Block Trade Reporting Form will allow for the communication of the required information in a far more efficient and timely manner while at the same time facilitating record keeping for all interested parties.

## **V. PROCESS**

The proposed amendment is submitted for approval to the Rules and Policies Committee of the Bourse. Once approval has been obtained from the Committee, the proposed amendment (including this analysis) will be submitted to the Autorité des marchés financiers (AMF) in accordance with the self-certification process and to the Ontario Securities Commission (OSC) for information.

## **IV. REFERENCES**

ASX24, Operating Rules Procedures, Procedure 4820, Subsection 3, Registration.  
[http://www.asxgroup.com.au/media/PDFs/asx\\_24\\_procedures.pdf](http://www.asxgroup.com.au/media/PDFs/asx_24_procedures.pdf)

CME Group, Block Trades.  
<http://www.cmegroup.com/clearing/trading-practices/block-trades.html>

NYSE Euronext, NYSE Liffe Trading Procedures, section 4.5.19.  
<http://www.euronext.com/fic/000/059/181/591811.pdf>

## **V. ATTACHED DOCUMENT**

Procedures Applicable for the Execution of Block Trades



## PROCEDURES FOR THE EXECUTION OF BLOCK TRADES

- a) Once a block trade has been arranged, in accordance with the predetermined minimum quantity threshold level as determined and published by the Bourse, details of the block trade must be reported to the Bourse by contacting a market official of the Bourse's Market Monitoring Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse.
- b) Approved participants for both the seller and buyer must complete and submit the Block Trade Reporting Form (Attachment 1) or such other notification as prescribed by the Bourse to a market official of the Bourse's Market Monitoring Department for validation.
- c) A market official will check the validity of the block trade details submitted by the approved participant(s).
- d) Confirmation by a market official of a block trade transaction will not preclude the Bourse from initiating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the rules.
- e) Once the block trade has been validated, the following information with respect to the block trade will be disseminated by the Bourse:
  - i) date and time of transaction;
  - ii) security(ies) or derivative instrument(s) and contract month(s);
  - iii) price of each contract month(s) and strike price(s) (as applicable); and
  - iv) volume of each contract month.
- f) Upon request by the Bourse the approved participant who arranges a block trade must provide satisfactory evidence that the block trade has been arranged in accordance with the Rules of the Bourse. Failure to provide satisfactory evidence of compliance with these Rules may result in the initiation of disciplinary action.

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the “Bourse”), the following are the eligible securities and derivative instruments, the relevant prescribed time delays and the minimum quantity thresholds for the execution of block trades.

<b>ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS</b>	<b>PRESCRIBED TIME DELAY</b>	<b>MINIMUM QUANTITY THRESHOLD</b>
	(As soon as practicable and in any event within the following time delay)	
<b>30-Day Overnight Repo Rate Futures Contracts (ONX)</b>	15 minutes	1,000 contracts
<b>Ten-Year Government of Canada Bond Futures Contracts (CGB)</b>	15 minutes	1,500 contracts
<b>Two-Year Government of Canada Bond Futures Contracts (CGZ)</b>	15 minutes	500 contracts
<b>30-Year Government of Canada Bond Futures Contracts (LGB)</b>	15 minutes	500 contracts
<b>Five-Year Government of Canada Bond Futures Contracts (CGF)</b>	15 minutes	500 contracts
<b>Options on Three-Month Canadian Bankers Acceptance Futures Contracts</b>	15 minutes	2,000 contracts
<b>Canadian Crude Oil Futures Contracts</b>	15 minutes	100 contracts



**ATTACHMENT 1**

# Block Trade Reporting Form

Approved participants must complete all sections of this form legibly and accurately.

This form is to be completed and faxed to Market Monitoring at 514 871-3592 or sent via the Bourse's website using the Web based form.

A market official can be reached at 1-888-693-6366 or at 514 871-7871.

<b>TIME AND DATE OF TRADE:</b>	
<b>EXECUTING PARTICIPANT NAME AND TRADING ID (BUY):</b>	
<b>CLEARING FIRM NAME AND ID (BUY):</b>	
<b>EXECUTING PARTICIPANT NAME AND TRADING ID (SELL):</b>	
<b>CLEARING FIRM NAME AND ID (SELL):</b>	
<b>CONTACT PHONE NUMBER:</b>	
<b>CONTACT FAX NUMBER OR E-MAIL ADDRESS:</b>	

Derivative Instruments	Future Contract/ Call/ Put	Contract Month	Option Strike Price (if applicable)	Number of Contracts	Price	Strategy Type* (if applicable)

For Montréal Exchange Staff Only:

**Time and Date of receipt:**

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**Montréal Exchange authorized signature:**

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The details on this form are accepted by the Montréal Exchange strictly on the understanding that the Montréal Exchange accepts no responsibility nor liability for the accuracy or completeness of the details as provided by the approved participant.  
 \* Each leg of a strategy trade should be listed separately.