

REQUEST FOR PROPOSAL

Market Making of Three-Month Canadian Bankers'
Acceptance Futures (BAX)



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Introduction and Purpose of the Request for Proposal

The Montréal Exchange (the “**Bourse**”) is inviting all approved participants/foreign approved participants or clients of approved participants/foreign approved participants with direct electronic access to the Bourse who are interested in the new market making program described herein (the “**Market Making Program**”) to submit a proposal outlining their abilities and commitment towards the market making of the Bourse’s Three-Month Canadian Bankers’ Acceptance Futures (BAX) (a “**Proposal**”).

Background

Listed in 1988, the Three-Month Canadian Bankers’ Acceptance Futures (BAX) has developed into the Bourse’s most successful interest rate futures contract, trading an average of approximately 116,000 contracts per day (year 2018).

Efforts to market and develop the BAX Reds & Greens began in July 2011 with the launch of the “Yield Curve Project” which saw the introduction of designated market makers. This first market making program led to several BAX volume records and a major increase in open interest.

In addition, incentive programs and fee rebates for liquidity providers have been implemented as a way to drive interest in the BAX.

Program

Description of the new Market Making Program

As part of its continued effort, the Bourse will proceed, if the responses submitted are satisfactory, with the selection of up to four (4) market makers (the “**Market Makers**”) who will quote the Designated Contracts during the regular trading hours’ period (6:00 am to 4:30 pm Eastern Time).

Eligibility and Selection Criteria

All approved participants/foreign approved participants or clients of approved participants/foreign approved participants of the Bourse are eligible to be appointed as a Market Maker.

The Bourse will consider the criteria listed in article 3.112 of its Rules in selecting Market Makers, including:

- **Technology:** Technological capabilities which can be deployed to support efficient market making activities.
- **Knowledge:** Market Makers will be required to have the necessary skills and experience for the market making of interest rate products.
- **Compliance with rules:** Only approved participants/foreign approved participants or client of approved participants/foreign approved participants in good standing and in compliance with the Rules and Procedures of the Bourse will be considered.

Incentives

Transaction and Clearing Fee Waivers

The Market Makers shall be eligible for fee waivers comprising transaction fees and clearing fees with respect to market making transactions occurring during the regular trading hours' period. The fee waivers shall remain in effect for the duration of the Market Making Program.

Full or partial fee waivers shall be credited monthly, subject to the Market Maker fulfilling the obligations contained in the Market Making Agreement signed with the Bourse.

Variable Compensation

The Bourse will proceed to the payment of a portion of its net transaction revenues (net of rebates) generated during the regular trading hours period for the designated interest rate futures contracts between the selected Market Makers, distribution based on respective relative performance, for a period of 1 year.

Duration of the Program

The duration of the Program will be one year, beginning at the earliest on March 1st, 2019. Market Makers will be required to sign a standard Market Making Agreement for a fixed one-year term, with the Bourse.

Designated Contracts

Three-Month Canadian Bankers' Acceptance Futures (BAX)

- Reds (months 5 – 8)
- Greens (months 9 – 12)

Market Making Requirements

Market makers will be required to post markets at the contracted minimum size and maximum spread (or better), for a predefined percentage of time. The agreement may also include requirements around the daily settlement of markets and/or other quantitative and/or qualitative requirements.

Monitoring of Performance

The Bourse will be monitoring the Market Makers' order book activity to determine compliance with the obligations set forth in the Market Making Agreement. The Bourse shall be solely responsible for the monitoring of Market Makers' compliance with the Market Making Program obligations and the calculation of the corresponding incentives in accordance with the terms of the Market Making Agreement.

Application Process

To respond to this Request for Proposals (“RFP”), please provide a Proposal (Market Maker Application) addressing the requirements and selection criteria outlined above. All Proposals should be submitted to the contact person indicated below by no later than 5:00 pm Eastern Time (ET) on January 25th, 2019.

Contact

For any question or information, please contact:

Mark Gunnip,

Senior Manager, Business Development, Interest Rate Derivatives

Phone: 514-871-3502 | Email: Mark.gunnip@tmx.com

Timeframe

January 8 th , 2019	Distribution of RFP
January 25 th , 2019	Deadline for delivery of Proposals to the Bourse
February 8 th , 2019	Notification of selected Market Makers
February 28 th , 2019	Deadline for signature of the Market Making Agreement
March 1 st , 2019	Launch of the Market Making Program

Market Maker Application

The Bourse will evaluate Proposals based on the requirements and selection criteria described in this RFP. All Proposals should include a filled out Market Maker Application attached (page 7).

Confidentiality

All documents submitted by respondents and the information contained in the Proposals shall be treated as confidential by the Bourse.

Evaluation

The objective of the evaluation process is to identify the Proposals that, in the discretion and assessment of the Bourse, most effectively meet the requirements and selection criteria provided for in this RFP. Any additional information provided by the respondents will also be considered if it is deemed to be the most beneficial to the Bourse’s market participants.

General Terms and Conditions

1. The Market Making Program is subject to the Rules and Procedures of the Bourse and in the event of an inconsistency between the Market Making Program and the Rules and Procedures of the Bourse, the latter shall prevail. However, where a term of the Market Making Program is more specific than or supplement the Rules and Procedures, such more specific or supplementary term will apply.
2. The issuance of this RFP shall not cause any express or implied commitment or undertaking on the part of the Bourse and the Bourse is under no obligation or commitment, whatsoever, to accept any Proposal, select Market Maker(s) or implement the Program. The Bourse may cancel, amend or withdraw, at its own discretion, this RFP without prior notice.
3. All decisions will be made by the Bourse at its sole discretion, including regarding the selection of Market Maker(s), and shall be final and binding.
4. The Bourse shall not be liable for any fees, costs or expenses incurred by the respondent resulting from this RFP or any other request.
5. Proposals received after the deadline for Proposal submissions will only be accepted at the discretion of the Bourse.
6. All Proposals shall be binding for a period of 30 days following the deadline for Proposal submissions. Should a respondent wish to alter or amend a Proposal, it shall withdraw its original Proposal by delivering written notice via email to the contact person listed above, and submit a new Proposal prior to the deadline for Proposal submissions. The respondent may revoke its Proposal at any time prior to the deadline for Proposal submissions by delivering written notice via email to the contact person listed above.
7. The selected Market Maker(s) will be required to sign the same standard Market Making Agreement with the Bourse prior to being admitted into the Program. No incentives may be earned before the binding standard Market Making Agreement has been signed by the Bourse and the selected Market Maker(s).
8. The selected Market Maker(s) will be required to, directly or through their clearing member, set up a sub-account that can be recognized by the Bourse (if such sub-account is not already in place), and will also set up a sub-account at the Canadian Derivatives Clearing Corporation (CDCC) (if such sub-account is not already in place).
9. If selected, the Market Maker consents to the disclosure of their status as a market maker on the Designated Contract in any marketing efforts the Bourse deems appropriate, including, but are not limited to, the Bourse's website.
10. The Bourse reserves the right to terminate the Market Making Agreement or modify the Market Making Program upon 30-day written notice to the Market Maker(s).
11. The Bourse reserves the right to replace or appoint additional Market Maker(s) in instances including, but not limited to, where a Market Maker fails to fulfil the obligations set forth in the Market Making Agreement. The replacement or addition of a new Market Maker is at the sole discretion of the Bourse, and can be completed by selecting a Market Maker that originally submitted a Proposal or by re-opening this RFP. The Bourse reserve the right to change the terms of this RFP or to reopen it after the deadline for Proposal submissions without prior notice.

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Market Maker Application

Conditions for Applying for Market Maker Status
<p><i>Applicants shall meet the criteria listed in article 3.112 of the Rules of the Bourse, including:</i></p> <ol style="list-style-type: none"> 1. <i>Have adequate financial capital to support Market Making obligations;</i> 2. <i>A history of compliance with the regulation of the Bourse;</i> 3. <i>A reliable trading infrastructure, risk management system and technology to support electronic trading, as well as adequate operational capacity;</i> 4. <i>Experience with trading similar derivative instruments;</i> 5. <i>Willingness to promote the Bourse as a market place;</i> 6. <i>Willingness to sign a market making agreement;</i> 7. <i>Any other factor deemed relevant by the Bourse.</i> <p><i>Additional criteria for client market makers:</i></p> <ol style="list-style-type: none"> 1. <i>Client agrees to be subject to the jurisdiction of the Bourse's Regulatory Division with respect to its trading activity and conduct as a market maker during the term of the market making assignment;</i> 2. <i>Client must obtain the acknowledgment of the approved participant providing it with electronic access.</i>

General Information
<p>Firm name:</p> <p>Address:</p> <p>Firm Division:</p> <p>Authorized Contact name:</p> <p>Title:</p> <p>Phone:</p> <p>Email:</p>
Market Making status
<p>AP/FAP <input type="checkbox"/></p> <p>Client of an AP/FAP <input type="checkbox"/></p>

Designated Contracts (specify category & name contracts)	
Equity and ETF Options	<input type="checkbox"/> _____
Index Options	<input type="checkbox"/> _____
Currency Options	<input type="checkbox"/> _____
Index Futures	<input type="checkbox"/> _____
Share Futures	<input type="checkbox"/> _____
Interest Rate Futures	<input type="checkbox"/> _____
Bond Futures	<input type="checkbox"/> _____
Interest Rate Options on Futures	<input type="checkbox"/> _____
Bond Options on Futures	<input type="checkbox"/> _____
Market Making Capital	
Equal or greater than \$250,000?	<input type="checkbox"/> YES <input type="checkbox"/> NO As of Date: _____
Other Exchange Memberships	
Information on Technology	
Description of technology supporting electronic trading, trading tools and infrastructure:	
Adequate personnel in place to support:	
On-screen quoting functions:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Trading functions:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Name of Independent Software Vendors (ISVs):	

Description of Access to Contract's Underlying Market :
Description of Risk Management Tools:
Additional Safeguards (if applicable):
N/A <input type="checkbox"/>
Operational Capacity
Description of ability to manage operational tasks (trade allocation, reconciliation, administration of rebates, etc.):
Adequate personnel in place to support:
Operational functions: <input type="checkbox"/> YES <input type="checkbox"/> NO
Name of Clearing Member:

In the case of client market makers, established relationship with an active execution broker?
<input type="checkbox"/> YES <input type="checkbox"/> NO
Market Making & Trading Experience
Number of years market making similar contracts:
Number of years trading similar contracts :
Description of general experience (products, venues):

Description of experience trading Montréal Exchange (MX) products and participation in MX market making or other commercial programs:

COMMITMENT TO DESIGNATED CONTRACTS		
Contracts	Size	Spread
	Committed	Committed
BAX (Reds)		
BAX (Greens)		
BAX (Whites) Daily Settlement: 2:59:30 pm to 3:00 pm		
Best efforts to post a continuous basis market (if applicable):	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A
Best efforts to provide block markets upon request:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

What are the advantages (if any) of your market making abilities over other firms? Please elaborate.

Acknowledgment and Signature
The Applicant attests the information provided is complete and accurate.
Signature of Authorized Contact:
Date: