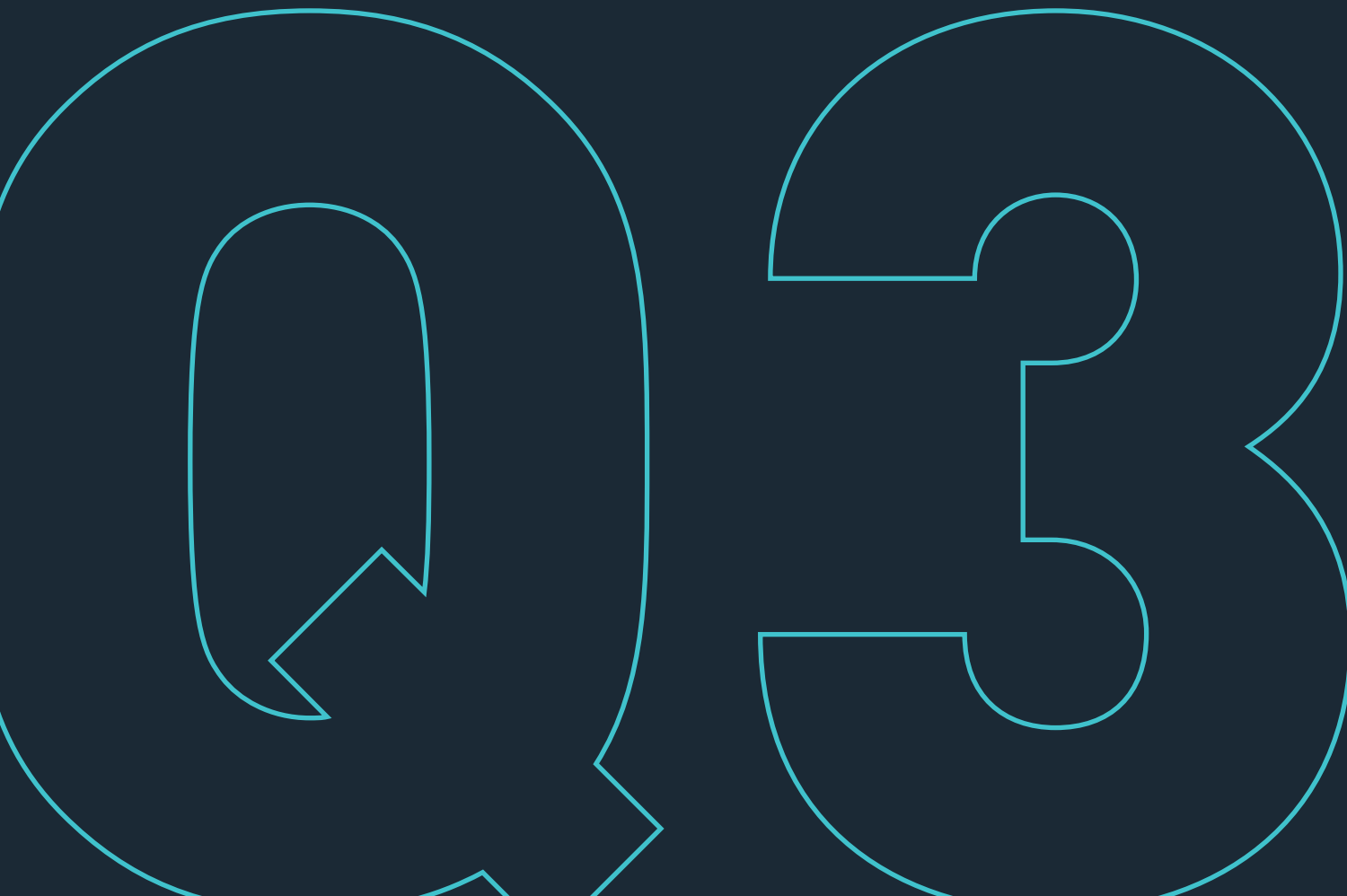


MONTREAL EXCHANGE



Q3 2021

Derivatives Highlights



Another successful quarter for MX's IRD and EQD products

TOTAL ADV of 555k CONTRACTS

In Q3, up **62%** vs Q3 2020

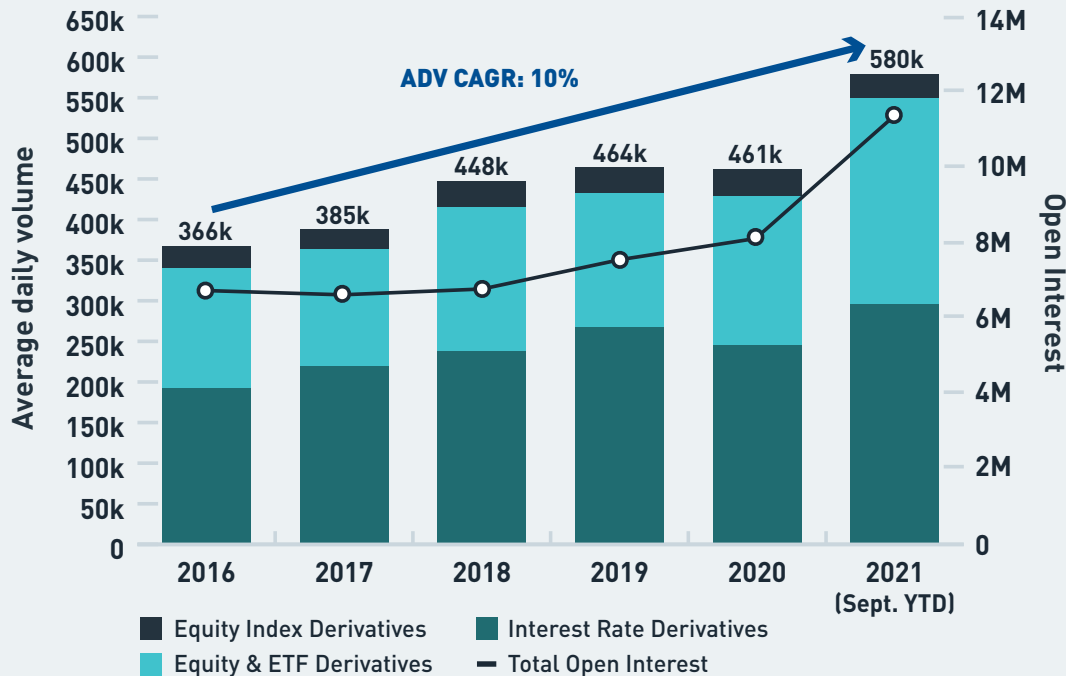
Total open interest surpassed 11.4M contracts at quarter end, up **46% YoY**

Record daily volume in S&P/TSX 60 Index* Futures (SXF): **356k** (Sep13)

Record open interest in Equity Options: **5.8M** (Sep 17)

Record open interest in 5Y GoC bond futures (CGF): **127k** (July 7)

Average Daily Volume and Open Interest (all products)



Segment	Product	2021 ADV	YoY CHG (%)
IRD	3M BAX	106k	12%
	3M OBX options	1k	-65%
	3M CRA	107	24%
	2Y CGZ	8k	N/A
	5Y CGF	30k	41%
	10Y CGB	147k	16%
All IRD products		293k	19%
EQD	Index futures	29k	-15%
	Share futures	86k	65%
	ETF options	46k	25%
	Equity options	128k	34%
	All EQD products	289k	32%

Market Observations

- **Interest rates:** The whole Canadian yield curve was quite active in Q3, as some uncertainties and risks about rate hikes, inflation and the pace of asset purchases brought volatility. Changes in the shape (steepening) was also observed in the 2-5 year segment. Check out the Canadian Interest Rate Expectations tool [here](#) to help you understand market expectations!
- **Equity:** The Canadian stock market was little changed in Q3, returning -0.5%. The individual sectors also saw little volatility, with the exception of the health care sectors which was down -20.4% during the quarter, mainly because of bad news in the cannabis industry.

Volume and Open Interest displayed in number of contracts.

Product Highlights

Liquidity continue to develop in BAX 2nd and 3rd year of contract expiries

BAX Reds and Greens represented 44% and 7% respectively of the total BAX volume in Q3

BAX open interest at quarter end: 1.2M, up 16% YoY

- Breakdown: Whites (63%), Reds (32%), Greens (5%)

2Y (CGZ) and 5Y (CGF) GoC bond futures continue to be adopted

CGZ open interest rose to 63k at the end of Q3 (up 76% vs Q2)

Active basis trading:

- CGZ EFP volume in Q3: 2k contracts ADV (27% of CGZ volume)
- CGF EFP volume in Q3: 4k contracts ADV (13% of CGF volume)

5Y/10Y curve spread actively traded in Q3: 6k contracts ADV, up 70% YoY

Strong quarter for Single Share Futures (SSF)

SSF ADV in Q3: 82k, up 259% vs Q3 2020

- Basis Trade on Close (BTC): 97% of SSF volume in Q3

Canadian Equity and ETF options markets continue to develop

- Commodity and Financial sectors continue to drive volumes
- Equity Options open interest: 5.5M (up 41% YoY)
- ETF Options open interest: 2.5M (up 64% YoY)

Institutional Content

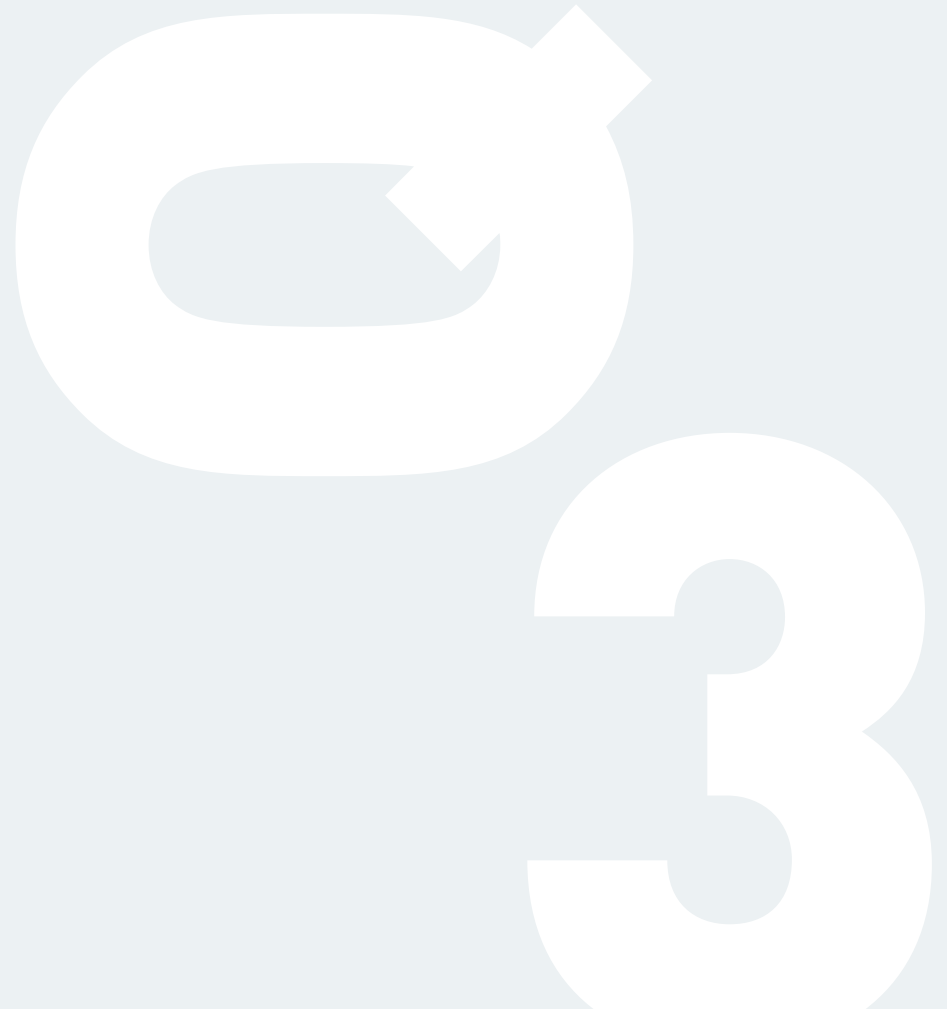
[Slightly Different BA Contract, Same Story?](#)

[Unpacking a Successful Curve Trade in Canadian Bond Futures](#)

[Understanding 2-5-10 Butterfly Trades in Futures](#)

[Futures Delivery Drought Ended](#)

[Canada CTA Trading Model](#)



Key Milestones and Facts

European Hours Celebrates its 3rd year in October!

Volume achieved in Q3 between 2 a.m and 6 a.m (ET) represents 6% of daily volume. Q3 statistics during the extended hours period:

Products	ADV	Growth vs Q3 2020
All products	16k	25%
BAX	5k	81%
CGB	9k	10%
SXF	1.6k	4%

Launch of Asian trading hours

On September 19, 2021, MX further extended its trading hours by opening the market at 8:00 p.m. ET (T-1), allowing market participants to trade Canadian derivatives for 20.5 hours a day. Underscoring the success of the launch are the robust markets now posted on MX's flagship products (BAX, CGZ, CGF, CGB, SXF) as of the new opening time. Take advantage of this new liquidity pool as more than 3k contracts already trade on a daily basis during the new Asian hours. Visit m-x.ca/yourtime for more information.

Expanded Access (again!)

MX has been approved by the Monetary Authority of Singapore (MAS) as a Recognized Market Operator (RMO) in Singapore (in Q2) and has been authorised by the Hong Kong Securities and Futures Commission (SFC) to operate an Automated Trading Service (ATS) in Hong Kong (in Q3), allowing for an expanded remote access to potential participants in the Asia-Pacific region.

Upcoming MX Technical User Roadmap Group Webinar

The next webinar will be on October 26, reach out to your MX representative if interested in attending. The objective is to improve the smooth running of new features / change of IT components implementation. Here is a recording of the last [webinar](#) held in June, which brought together more than 75 key industry participants.

New Position Limits Rules

Starting in July 2021, [new position limits rules](#) are applicable to MX's interest rate and equity derivatives product suite. Participants are encouraged to review the changes to assess possible impacts on their portfolio. Following these changes, a [FAQ document](#) has been published to help participants better understand how position limits work.

New rules regarding Equity Index and Share Futures EFR transactions

On July 9, a rule amendment was made to bring more clarity to the types of equity index swaps that are permitted as part of Exchange for Risk transactions and to provide more flexibility for participants. This change is applicable to EFR on Equity Index and Share Futures products.

Steps taken towards the launch of the 30-Year GoC Bond Futures (LGB) (projected in December)

- Publication of a market making [Request for Proposal](#) on July 19
- Publication of Request for Comments regarding:
 - Modification of the [delivery standards](#) (maturity range of eligible bonds to 28.5+ years)
 - Modification to the [minimum volume thresholds for block](#) transactions (250 contracts)
 - Modification to the [minimum price fluctuation](#) increment (to 0.05 = C\$50)
- Selection of market making partners (to be announced in Q4)

Updated Penny Program list

On July 29, some modifications were made to the Penny Program list of underlying classes, as the MX proceeded with the addition of 9 classes and the removal of 13 classes. The Penny Program allows options with premiums between \$0.01 and \$3.00 to be quoted and traded in penny increments for pricing flexibility. The full list of option classes in the Penny Program can be found [here](#).

News from the Regulatory Division

- **New Client Identifier Working Group**
A [Client Identifier Working Group](#) was created in collaboration with market participants to exchange ideas, insights and perspectives regarding the regulation of client identifiers, the forthcoming rule amendment proposal, future guidelines and FAQs.
- **Publication of the H1 2021 newsletter**
The semi-annual [newsletter](#) covering H1 2021 was published on July 19. This document provides information of a general nature on regulatory activities and shares observed best practices in regulatory compliance.
- **Extension of alternative measures and reporting delays**
In light of the ongoing pandemic, the Regulatory Division is extending until January 31, 2022, some alternative measures and reporting delays. Refer to the [Circular](#) for more details.

Upcoming Option Education Events!

The MX offers multiple options education events designed to provide retail investors with the knowledge needed to successfully navigate the options market. Check out the periodic updates on upcoming events on the [Option Matters](#) blog!

Publication for Comments

In Q3 2021, MX published several files for comments, which are expected to be implemented eventually:

- Amendments regarding [SPAN methodology for client account](#)
- Amendments to the [delivery standards and block threshold](#) of the 30Y GoC bond futures
- Amendments to the [minimum price fluctuation of the 30Y GoC bond futures](#)
- Amendments to the [minimum price fluctuation of the 3M CORRA futures](#)
- Amendments regarding [prearranged transactions and minimum price increments](#) for the Option market

Visit the [Circulars](#) section of the MX website to stay informed of the latest developments.

Key Exchange Notices

- Advisory Notice 21-011: [Change to GTE \(test environment\) for the Asian Hours Trading Schedule](#)
- Advisory Notice 21-013: [Revised Clearing API protocol Updates](#)
- Technical Notice 21-009: [Participation in the FIA and SIFMA 2021 Disaster Recovery Tests](#)
- Technical Notice 21-010: [New version of the Position Report Manager GUI](#)

Did you know?

- MX offers listed options on 4 Bitcoin ETFs & 4 Ether ETFs from different ETF providers, enabling investors to access diversification and growth potential of cryptocurrencies.
- The volume thresholds used in the BAX daily settlement price algorithm were updated on July 16.
- Put/Call ratios are available on a daily basis on the trading activity section of the MX website.
- Real-Time bid/ask quotes are available on the MX website for Canadian options and futures contracts. Sign up for a free account and create a “My Quotes” portfolio to easily keep track of your options and future positions.

For more information

INTEREST RATE DERIVATIVES

irderivatives@tmx.com

EQUITY DERIVATIVES

equityderivatives@tmx.com



m-x.ca

 **m-x.ca/linkedin**

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