

MONTREAL EXCHANGE



Q3 2023

Derivatives Highlights

Q3

Volume growth across several derivative classes marked a strong quarter

TOTAL ADV of 675k CONTRACTS

In 2023, up **12%** vs 2022

Total open interest record of near 16M contracts, up **16%** vs 2022

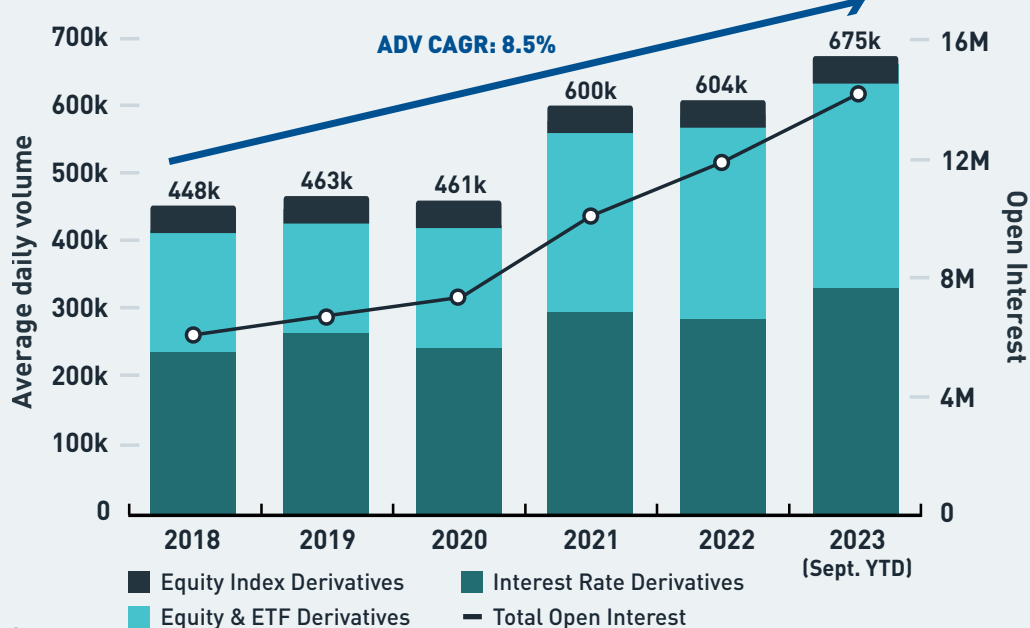
Record volume for CORRA futures with all-time high quarterly volume and open interest of 567k contracts at quarter-end

Stable EFP activity for bond futures in Q3

Short-term bond futures segment showing strong growth numbers:

2Y GoC bond futures (CGZ™): **45k** contracts ADV
 5Y GoC bond futures (CGF™): **47k** contracts ADV
 S&P/TSX 60 Index* futures (SXF™): **32k** contracts ADV
 Equity and ETF Options: **183k** contracts ADV (up 25% vs Q3 2022)

Average Daily Volume and Open Interest (all products)



Segment	Product	2023 YTD ADV	YoY CHG (%)
IRD	3M BAX™	92k	+33%
	3M CORRA CRA™	24k	+2018%
	2Y CGZ	41k	+88%
	5Y CGF	47k	+16%
	10Y CGB™	136k	-8%
	All IRD products	332k	+19%
EQD	Index futures	34k	-0.3%
	Share futures	67k	-10%
	ETF options	72k	+20%
	Equity options	169k	+10%
All EQD products	342k	+6%	

Market Observations

- **Interest rates:** After two rate increases this summer, the Bank of Canada left in September its policy rate unchanged, while leaving the door open to future hikes. OIS markets seem to be pricing current levels as a peak, and Canadian 10-year yield touched a new high. At the Exchange, CRA Futures reached a volume milestone, nearly overtaking BAX's open interest as we entered the second phase of industry transition. Lastly, volatility across the short-end of the curve continues to drive activity in bond futures.
- **Equity:** ETF options are posting a new open interest record every month but on lower volumes. It is characterized by activity on long dated strategies mainly on XIU and ZEB. As for the equity options, ADV is solid with double digits growth. The growth is coming from institutional orders as the retail client market segment is still contracting. Delta one strategies make for a large part of that performance to the detriment of single share futures. Indeed, it's possible to replicate the risk profile of a single share future through a combination of a long call/ short put of the same strike (or short call/long put for a bear positioning).

Volume and Open Interest displayed in number of contracts.

Product Highlights

New milestones in the transition from CDOR to CORRA

- New quarterly, monthly and daily (98k) volume records for 3M CORRA Futures
- CRA open interest at quarter end: 567k contracts
- Launch of Term CORRA and 1M CORRA futures development program in September
- More than 30 exchange participants transacting 3M CORRA Futures
- Continued activity in BAX-CRA spread strategies and activity developing in all 12 quarterly expiries

GoC bond futures volume driven by 2Y (CGZ) and 5Y (CGF) trading

CGZ & CGF:

- Combined ADV of 92k contracts in Q3, up 43% vs Q3 2022
- Combined Open Interest of 237k contracts, up 62% vs Q3 2022 CGB ADV at quarter end: 128k contracts

CGB ADV at quarter end: 128k contracts

Active basis trading:

- CGZ EFP volume in Q3: 5k contracts ADV (10% of CGZ volume)
- CGF EFP volume in Q3: 6k contracts ADV (12% of CGF volume)

Curve spread actively traded in Q3: 10k ADV for 5Y/10Y spread; 4k ADV for 2Y/5Y spread

- Activity also picking up in the 2Y/10Y, 2Y/5Y/10Y and 10Y/30Y strategies

Several records in Canadian equity and ETF Options

- Equity Options quarterly volume record reached in Q3 2023 with 11.3M contracts
- Equity Options monthly volume record reached in August with 4.2M contracts
- ETF Options open interest record of 6.8M contracts on September 13

Share futures decline stabilized with a quarterly ADV of 57k contracts (-3% vs Q3 2022)

Institutional Content

[So long BAX model, you've had a good run](#)

[Economic pessimism grips Canada inflation market](#)

[How to use TMX Futures to trade different macro and crisis scenarios](#)

[Liquidity of Interlisted Stocks in the Canadian Options Markets](#)

["Free Money Trade": Astute CGB basis traders found a free option](#)

[Potential strategies: long Canadian government bond futures contracts](#)

[Exploring the potential of long Canadian bond futures in a dynamic economic landscape](#)

[Taking the long view with Canadian Index Futures](#)

[2023: The Future of Futures](#)

[TMX's government bond futures market shines](#)

[Maintaining momentum in equity options trading](#)

[Why Australian pension funds should trade Canada](#)

[CORRA Futures \(CRA\): Learn more](#)

Key Milestones and Facts

Record days during Overnight trading

- Global participants took advantage of the overnight trading hours (8 p.m. to 6 a.m. (ET)) to manage their Canadian exposure during non-local business hours. As of Q4 2021, MX is now open 20.5 hours a day. Visit m-x.ca/yourtime for more information.
- **Overnight Trading Hours** statistics:

Products	Q3 2023 ADV
All products	16k
BAX ¹	2k
CGB	10k
CGF	1k
CGZ	1k
SXF	2k

¹ BAX opening time was moved to 2:00 am. ET at the beginning of October 2022.

The activity taking place during the overnight trading hours represents about 5% of MX daily volume on average for eligible products.

New!

- More overnight trading in 3M CORRA Futures has been observed in recent months!
- MX implemented new market making programs on key flagship products (2Y/5Y/10Y Bond Futures and SXF) at the start of Q4-2022.

Benchmark transition (CDOR to CORRA) & Fallbacks Implementation Plan

MX is committed to facilitating the access and transition to CORRA, by developing a robust and efficient market for CORRA Futures. MX has published an updated Fallback plan for BAX, detailing the expected conversion process towards CRA and conversion date, targeted for April, 26, 2024. On that date, CDCC will convert all eligible BAX futures that have post-June 2024 expiry to equivalent CORRA contracts (CRA). Our new conversion guide can be accessed [here](#). The following measures are also meant to support the CORRA ecosystem:

- Inclusion of CRA/BAX inter-commodity spread on Bloomberg (Now live! CORBA Comdty)
- Trading fee waiver and new market-making program on 1M CORRA Futures (COA)
- Cessation of additional BAX listing and mid-curve options on BAX delisting
- Listing of Options on 3M CORRA Futures (Q1 2024²)

Launch of One-Month CORRA Futures (COA™)

The new One-Month CORRA Futures (COA) contract was launched on January 23, 2023. The product serves as key input for the Term CORRA rate officially launched in September. The quotation of the product is based on a daily compounded average of the CORRA values during the contract month. Please refer to the [COA product page](#) or the [CORRA microsite](#) for more details including product illustrations and complete specifications.

Updates on the 30-Year GoC Bond Futures (LGB™)

Effective since the March 2023 contract, the delivery period of the LGB of the contract has been changed from a full month to what is now a single day, eliminating the wildcard option and thus, making the pricing and the roll of the contract more stable. Benefits from the liquidity provided by National Bank Financial and Desjardins Securities include:

- Robust quotes in the front contract and quarterly calendar roll
- Strong basis market offering
- [More trading opportunities](#)

² Conditional upon regulatory approval.

Upcoming launch of Bitcoin Price Index Futures!

MX announced that it will launch Bitcoin Price Index Futures on Tuesday, January 16, 2024, to meet rising market demand for digital cryptocurrency asset classes. Giving market participants exposure to Bitcoin value movements on the underlying CoinDesk Bitcoin Price Index (XBX), the cash settled futures contract will trade and settle in US dollars, and clear at the Canadian Derivatives Clearing Corporation (CDCC).

The Bourse will list two (2) monthly contracts starting with the February 2024 expiry as well as intra-group strategies (calendar spreads). Complete details are available on the product [landing page](#).

Guaranteed Cross Auction with Price Improvement and Covered with Stocks launched in Q1 2024.

The new functionalities specs will be available in the upcoming weeks

Specifications guide: October

Test environment: End of November

Protocol release: February 1st, 2024

This year's protocol release is expected to be for Q1 2024 as opposed to Q4 2023 in order to allow more time for all participants to be ready for the update.

News from the Regulatory Division

• The Participant Scorecard

The Division issued the Participant Scorecard for the period of January 1 to June 30, 2023 (Circular [098-23](#)). The scorecard is a way for the Division to share its observations with Approved Participants and Foreign Approved Participants for informational purposes only.

• Newsletter

The Division published its Newsletter for the period January 1 to June 30, 2023 (Circular [099-23](#)). The newsletter is published semi-annually to provide general information on the regulatory activities of the Division and also to share best practices in regulatory compliance.

• Disciplinary decisions

The decisions of the Disciplinary Committee were published in Q3 following hearings held to accept two settlement agreements. More details are available in Circular [094-23](#) and Circular [112-23](#).

All information on the activities of the Division and publications (including [FAQs and Guidelines](#)) are available on the [Division's website](#).

Last MX Technical User Group Roadmap Webinar

The Technology Quarterly Roadmap for Q3 2023 was conducted on October 5th 2023, with over 60 people signed up and 35 live attendees. The turnout was smaller than usual because the Agenda was specifically for CDCC Tech Issues focusing mainly on BAX Fallback. The main topics focused on CDCC Changes including the BAX/CRA Transition with BAX fallback procedure at CDCC, along with t+1 planned changes, and introduction of SGC. The next webinar will be in December 2023.

Introduction of a new order type

On April 24th, MX implemented a new type of market order for BAX, CGB, and SXF contracts. The new market order behavior allows the order to match and trade at multiple price levels (ticks) until completely filled, provided that there is sufficient liquidity in the book or until it reaches an outer market order protection band as configured for the given listed instrument. Regarding the BAX contract, the protection bands for the six (6) nearest contract months is 0.015 for outrights, strategies, and spreads, and for all other contract months, it is 0.03 for outrights, strategies, and spreads. As for the CGB contract, the protection bands are 0.16 for outrights and 0.08 for spreads. Lastly, for the SXF contract, the protection bands are 1.00 for outrights and 0.50 for spreads.

Implementation of the Gross Client Margin Model ("GCM") by the CDCC

GCM allows for more accurate and timely position reporting and, as a result, the change was reflected on open interest quantity declarations as of the evening of April 3, 2023. For further information about the GCM initiative, kindly see Operational Notice [2023-M24](#) and Notice to Members [2022-029](#).

Key Exchange Notices

- Circular 101-23:
[New equity options classes](#)
- Advisory Notice A23-007:
[BAX Fallbacks Implementation Plan](#)
- Advisory Notice A23-006:
[Listing cessation for Three-Month Canadian Bankers' Acceptance Futures \(BAX\)](#)
- Advisory Notice A23-005:
[Inclusion of CRA/BAX Inter-Commodity spreads on Bloomberg](#)
- Advisory Notice A23-004:
[Activation of New Market Order Type with protection](#)
- Advisory Notice A23-002:
[Exclusion of the new 30Y GoC bond futures June 2023 delivery basket](#)
- Advisory Notice A23-001:
[Listing of One-Month CORRA Futures \(COA\)](#)
- Advisory Notice 22-015:
[Billing modernization and simplification in 2023](#)
- Advisory Notice 22-014:
[New Inter-Group Strategies for GoC Bond Futures](#)
- Advisory Notice 22-013:
[Introducing the Trade Management Web Application](#)
- Advisory Notice 22-012:
[2022 Protocol Upgrade Reminder](#)

Did you know?

- MX, in collaboration with the CARR working group, is hosting a series of CDOR to CORRA Transition Webcasts to inform market participants of important developments. [Sign up today](#) and be notified when webcasts are released.
- Investors can access the latest CORRA-related benchmark developments, including transition provisions and initiatives on MX's [CORRA Microsite](#). A FAQ, cheat sheet and new Fallback provision plan are now at disposal to assist investors with their transition.
- MX offers [listed options](#) on four Bitcoin ETFs and four Ether ETFs from different ETF providers, enabling investors to access diversification and growth potential of cryptocurrencies.
- 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

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