



MONTREAL EXCHANGE

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TMX VOIR LE FUTUR.
RÉALISER L'AVENIR.

CADC 2025: Seven Signals for the Future of Canadian Capital Markets

In a year marked by turbulence, transformation and tactical recalibration, the 2025 Canadian Annual Derivatives Conference™ (CADC®)—organized and hosted by Montréal Exchange (MX)—offered a timely pulse check on Canada’s capital markets. Markets remain volatile but resilient. Innovation is accelerating but unevenly adopted. And investor behaviours, both retail and institutional, are shifting in response to structural and geopolitical undercurrents.

Across two days of sessions spanning derivatives, credit markets, retail innovation, macroeconomic risk and AI-driven strategies, one clear message emerged: resilience alone is no longer sufficient. Market participants must also embrace adaptability and reinvention.

Here are seven strategic signposts for participants navigating a rapidly changing marketplace, along with their implications for the future of Canadian capital markets.





1

Resilience is Built Through Flexibility

One of the clearest takeaways: Canada's financial institutions have held up well against persistent volatility, thanks to diversification across products and geographies. But market resilience today relies equally on adaptability and strength.

Large banks and asset managers are increasingly rethinking their portfolio models. Derivatives use is expanding, not just for speculation or alpha generation, but for efficient rebalancing, risk transfer and liquidity sourcing. Non-bank financials, meanwhile, are applying technological leverage in ways traditional firms must catch up to.

Static models built for stable conditions may falter. Resilience now demands active reallocation, data-driven insight and agility in execution.

2

Technology is Reshaping the Boundaries of Trading

AI, machine learning and low-latency infrastructure are no longer niche tools; they are fast becoming table stakes. From secure AI environments to Field Programmable Gate Array (FPGA) technology integration, firms are redesigning how trades are executed, risks are measured, and strategies are deployed.

Crucially, technology is not just improving speed. It's redefining market access and transparency. The shift from voice trading to electronic platforms in credit markets remains slow in Canada relative to the United States, but momentum is building. The same holds true in repo and derivatives where the adoption of central clearing counterparties (CCPs) and margin-efficient platforms are reshaping cost structures.

Innovation isn't only about algorithms; it's about architecture. Firms need to invest not just in tools, but also in scalable, interoperable systems that can support multi-asset execution.

3

Retail Investors Drive Sophistication and Expect More Return

This year's sessions made one thing clear: retail is no longer a passive participant, and the definition of a retail investor has fundamentally shifted. From structured products like Canadian Depositary Receipts (CDRs) to interest in short-dated options and zero-day-to-expiration (ODTE) strategies, retail investors are increasingly demanding access to complex financial instruments.

However, access isn't enough. Education gaps, platform limitations and fragmented experiences are hindering adoption. Firms investing in better UX, targeted content and more intuitive functionality—especially those focused on hedging and strategy simulation—are well-positioned to capture long-term loyalty.

The retail investor of today is more informed, curious and strategic. Serving them requires institutional-grade access paired with retail-focused engagement.



4

Liquidity is the Pressure Point in Canada's Credit and Repo Markets

Liquidity surfaced as a key theme, particularly in specific areas of the credit market. Demand continues to grow, with international investors showing increased interest in Canadian credit exposures. The introduction of a credit risk transfer vehicle by MX represents a meaningful step forward, providing new tools for portfolio management and potentially broadening market participation.

Meanwhile, in the repo market, volumes are rising sharply but clearing remains limited. With only 10%-15% of trades centrally cleared and hedge fund financing on the rise, participants are calling for modernization. The Canadian Collateral Management System (CCMS)—a collaboration between TMX and Clearstream—and the CIMPA governance framework could unlock needed efficiency and transparency.

Credit and repo markets are evolving from bilateral to centrally cleared structures. But liquidity won't improve unless adoption, education and technology align.

5

AI in Trading Advances but Regulation and Explainability Lag Behind

AI is no longer theoretical in trading environments. It's being used to forecast price movements, detect anomalies and support risk management in near real-time. But as capabilities advance, so do regulatory expectations.

Panelists flagged explainability and auditability as growing concerns, especially in high-frequency and algorithmic trading. The development of private, secure AI environments that ring-fence client data is promising, but compliance frameworks still need to catch up. There's also a growing debate around the role of AI in market surveillance and how regulators might use the same tools to monitor systemic risk.

The pace of innovation is outpacing oversight. Firms must be proactive in embedding governance, transparency and explainability into AI deployments.

6

Macro and Structural Headwinds Require a Reassessment of Assumptions

The macroeconomic outlook is no longer benign. With Canada's GDP growth barely matching population increases, labour market softness and stagnant housing activity, capital allocators are recalibrating.

Tariff policies, U.S. fiscal instability, and shifting capital flows away from traditional safe havens (like Treasuries) are adding complexity. In Canada, the structural limitations of a smaller manufacturing base and limited interprovincial trade continue to constrain productivity. While these issues are not new, their impact is more acute in today's environment for fixed income investors and macro strategists.

Strategic positioning now requires deeper macro awareness. Old assumptions about growth, labour and trade are being tested, and capital must move accordingly.

Generating Alpha: the Versatility of Futures



7

Alpha Generation is Shifting Back to Trend, Liquidity and Optionality

Systematic traders and asset managers emphasized a renewed interest in trend-following, futures-based strategies, and options overlays. These aren't novel ideas. However, in an environment where directional bets are harder to justify and traditional 60/40 portfolios underperform, they're gaining new relevance.

Futures markets, particularly those tied to short-term rates and index volatility, offer opportunities to extract alpha if participants have the tools and conviction to act. Panelists also highlighted the importance of machine learning in identifying trade setups, though human interpretation remains critical.

Alpha isn't dead, it's just moving. To capture it, traders must embrace diversification, data-led decision-making and a broader set of instruments.

Strategic Implications for Canadian Market Participants

The insights from the CADC discussions don't point to a single course of action, but they do suggest a few strategic imperatives for firms operating in Canada's capital markets:

1

Modernize Infrastructure and Technology

Invest in systems that support electronic execution, faster settlement and integrated multi-asset trading. Whether it's AI-based risk tools or clearing infrastructure, technology should serve as an enabler rather than a patch.

2

Recalibrate Risk and Hedging Frameworks

In a higher-volatility environment, traditional hedging strategies may underperform. Firms should reassess risk models and expand the use of derivatives, futures and short-dated options for better precision and flexibility.

3

Strengthen Retail Engagement Strategies

Retail investors are more sophisticated and expect more from platforms. Enhancing access to structured products, delivering intuitive interfaces, and offering education will be key to building trust and wallet share.

4

Prepare for Regulatory Alignment on AI and Clearing

As regulators sharpen their focus on AI explainability and clearing mandates, firms must be proactive in establishing governance frameworks and engaging in policy discussions before rules are codified.

5

Adapt to Macro Disruption with Portfolio Agility

Geopolitical risk, shifting fiscal policies and changing capital flows all challenge existing portfolio construction. Asset managers should build flexibility into mandates and prepare for regime shifts.

6

Prioritize Liquidity Access and Participation

Access to liquidity—especially in credit, repo and less electronically traded instruments—will distinguish leaders from laggards. Participating in emerging platforms and clearing systems is now essential.

7

Collaborate Across the Ecosystem

The conference underscored the need for cross-sector alignment: banks, asset managers, exchanges, FinTech firms and regulators working together to develop new tools, markets and standards.

This year's conference had a measured and pragmatic tone. Canadian capital markets are showing strength, but are also in transition. What comes next will depend on whether institutions can align three key elements: structural reform, strategic innovation and client-centric design. In a transitioning market, strategic clarity matters. Firms that adapt and act with intent—rather than just react—will shape what comes next.





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