



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

www.iiac.ca

October 5, 2020

Delivered Via Email: legal@tmx.com; consultation-en-cours@lautorite.qc.ca

M^e Alexandre Normandeau
Legal Counsel
Bourse de Montréal Inc.
1800-1190 av des Canadiens-de-Montréal
P.O. Box 37
Montréal, Québec H3B 0G7

M^e Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec, Québec G1V 5C1

Dear M^e Normandeau and M^e Lebel,

Re: Bourse de Montréal Inc. – Request for Comments – Amendments of the Rules of the Bourse to accommodate the extension of the Bourse's trading hours

The Investment Industry Association of Canada (the "IIAC") and its members would like to take this opportunity to express their views on the proposed amendments (the "Proposal") to the Rules of Bourse de Montréal Inc. (the "Bourse") to accommodate the extension of the Bourse's trading hours as per Circular 135-20 and Circular 160-20 (the "Circulars"), issued on August 5, 2020 and September 18, 2020 respectively.

The IIAC is the national association representing the position of 114 IIROC-regulated dealer member firms on securities regulation, public policy and industry issues. We work to foster a vibrant, prosperous investment industry driven by strong and efficient capital markets.

We remind the Bourse that this comment letter, in its entirety, can be published on the Bourse's website.

Proposed Amendments

As stated in the Circulars:

The Bourse de Montréal Inc. (the "Bourse") has extended its trading hours (opening its market at 2:00 a.m. ET) on October 9, 2018 for all interest rate derivatives and on February 25, 2019 for all index futures (the "Initial Extended Hours Initiative"). In light of the substantial activity taking place during these additional four hours of trading, the Bourse is proposing to broaden this initiative by further extending its trading hours and opening its market at 8:00 p.m. ET (t-1), for an additional six hours of trading (the "Asian Trading Hours Initiative").

Comments of the Industry

The IIAC and its members decided not to comment on each detail of the Proposal.

However, industry members have provided general comments and concerns regarding the Proposal. They are listed below:

Clearing Model:

- The industry is disappointed that the Bourse did not choose to reproduce the CME clearing model - where margin is called in the morning, without overnight calls;
- Overnight margin calling, as proposed in the Circulars, adds significant additional costs and logistical complications - such as facilitating a margin payment at 1:00 a.m. ET, for example - to our industry members;
- The proposed approach regarding margin calls adds unnecessary risk if complications do arise in trying to meet a late-night margin call;
- Not all Canadian participants have a 24-hour operations team, which would make it easier to comply with the Proposal;
- We believe that reproducing the CME model would have made the Asian Trading Hours Initiative much more palatable for clearing brokers.

Reputation of the Canadian Derivatives Market:

- We have concerns regarding market liquidity and market integrity during Asian Trading Hours. The Bourse's Regulatory Division must be able to identify potential market issues, as Asian Trading Hours may well increase risk of abusive or manipulative trading practices;
- We would request a copy of the Regulatory Division's independent initiative analysis. As stated in the Circulars:

The Regulatory Division has reviewed and evaluated the impacts of the project on its regulatory activities. The Regulatory Division is responsible for the oversight of the application of the Rules of the Bourse by the Approved Participants and their employees, agents and clients, and enforcement thereof as needed to ensure market integrity. While the Regulatory Division should be and is involved in any commercial initiative that may have regulatory consequences or require rule modifications with respect to which it may have an interest, the Regulatory Division independently reviews and analyzes such proposals to assess the impacts on its activities as well as those of the Approved Participants and, when appropriate, proposes rule changes.

Business Opportunity:

- Our members doubt that additional revenue from overnight trading will outweigh the additional costs needed to implement this Proposal. Therefore, the Proposal does not present a beneficial business opportunity for most of the Canadian participants;
- It is unlikely that firms without a 24-hour operations team will be promoting overnight trading to clients.

Furthermore, the targeted launch of the Asian Trading Hours Initiative - currently planned for Q1 2021, as per the Circulars – is too soon to ensure “that market participants can adapt to this expanded trading and clearing framework”.

Please note that the IIAC and its members, as always, remain available for further consultations.

Yours sincerely,



Annie Sinigagliese
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