

FAQ

Regulatory Division of Bourse de Montréal Inc.

Subject: Position Limits

Rule Articles: 6.309A, 6.309B, 6.310, 6.311, 6.315, and 6.500

Last Update: August 19, 2024

These frequently asked questions and answers (the “FAQ”) are published by the Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) to illustrate the applicability of selected regulatory requirements and is not exhaustive of all regulatory requirements. The FAQ complement the regulatory requirements described in the Rules of the Bourse (the “Rules”) by providing Approved Participants and Foreign Approved Participants (collectively, the “Participants”) additional information and clarification, and setting out the expectations of the Division. These FAQ supersede any previously published FAQ on Position Limits. Capitalized terms throughout the FAQ have the meanings specified in the FAQ or the Rules. In the event of conflict between the Rules and the FAQ, the Rules shall prevail.

Q1: What is the difference between a position limit and a reporting threshold? (amended April 26, 2022)

A1: A **position limit** is the maximum number of contracts a Person may hold or control unless the Person has been granted a position limit exemption. Position limits for Options and Share Futures Contracts are established pursuant to Article [6.309A](#), position limits for Futures Contracts (except for Share Futures Contracts and total return sector index Futures Contracts¹) are established

¹ For the purpose of the FAQ, total return sector index Futures Contracts refers to Futures Contracts on the (i) S&P/TSX Composite Index Energy GICS Sector Total Return, (ii) S&P/TSX Composite Financials GICS Level Sector Total Return Index, (iii) S&P/TSX Composite Real Estate GICS Sector Total Return Index, (iv) S&P/TSX Composite Telecom Services GICS Level Sector Total Return Index, (v) S&P/TSX Composite Media GICS Industry Group Total Return Index, and (vi) S&P/TSX Composite Insurance GICS Industry Group Total Return Index and whose position limits are respectively established pursuant to Articles [12.2207](#), [12.2307](#), [12.2407](#), [12.2507](#), [12.2607](#), and [12.2707](#).

pursuant to Article [6.309B](#), and total return sector index Futures Contracts are established pursuant to individual Articles in Part 12 of the Rules.

A **reporting threshold** is the level at which a Canadian or Foreign Approved Participant (collectively “Participants”) is required to report gross positions held. Participants must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in Listed Products when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these Listed Products or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these Listed Products (paragraph [6.500\(a\)](#)). Such reports are commonly referred to as reports of accumulated positions or large open position reports (“LOPR”). Reporting thresholds are established pursuant to paragraph [6.500\(i\)](#).

Q2: Which Listed Products are subject to position limits? (amended August 19, 2024)

A2: The following Listed Products with shaded areas are subject to position limits:

		Spot Month	All-Months
Interest Rates	Government of Canada Bond Listed Products (e.g., CGB)		
Equities	Broad-based index futures		
	Narrow-based index futures		
	Total return sector index futures		
	Share futures		
	Options on stocks, exchange-traded funds, and trust units		
	Broad-based index options		
	Narrow-based index options		
Currency Options			

Position limits and reporting thresholds are accessible via the [position limit file](#).

Q3: What is the difference between an all-months position limit and a spot month position limit, and when do these position limits go into effect?

A3: An **all-months** position limit is effective at all times and applies to the sum of all contract months of a particular Listed Product. For example, if the Ten-Year Government of Canada Bond Futures (CGB) all-months position limit is 150,000 and a Person has long positions of 90,000 September contracts and 70,000 December contracts, then the Person has a net long position of 160,000 contracts and is therefore over the all-months position limit by 10,000 contracts.

A **spot month**² position limit goes into effect as a particular contract month becomes the closest contract month to expiration. For Government of Canada Bond Futures and Options on Government of Canada Bond Futures (collectively “**Government of Canada Bond Listed Products**”), the position limits are effective at the close of the first business day of the first Delivery Month. For example, the December 2022 CGB spot month position limit is effective at the close of December 1st, 2022 and remains in effect until the contract expires.

² For the purpose of the FAQ, spot month refers to the first delivery month in the case of Government of Canada Bond Listed Products.

Q4: When are position limits published and how are position limit publications accessed?
(amended August 19, 2024)

A4: Position limits are published via circulars. The following publication schedule is subject to change without notice:

Circular	Published in:
Government of Canada Bond Listed Products (spot month position limit)	February, May, August, and November: no earlier than the business day prior to the first notice day and no later than the first notice day
Government of Canada Bond Listed Products (all-months position limit)	March, June, September, and December: ten business days prior to the effective date
Equity Listed Products	January, April, July, and October: ten business days prior to the effective date

Position limit circulars are published on the [Position Limits webpage](#). To receive position limit publications, please [subscribe](#) to the [Bourse's circulars](#). Note that the position limit files are annexed to the position limit circulars and are retrievable [directly from the Division](#).

Q5: How are options on futures and futures (except for share futures and total return sector index futures) aggregated for position limit purposes?

A5: Pursuant to subparagraph [6.309A\(a\)\(iv\)](#), options on futures positions are aggregated with the underlying futures positions. For position limit purposes, the futures equivalent of one in-the-money option contract is one futures contract and the futures equivalent of one at-the-money or out-of-the-money option contract is half a futures contract.

Example 2

If the CGB all-months position limit is 150,000 and a Person has long (+) and short (-) positions of:

- +175,000 December 2022 CGB (CGBZ22) futures contracts
- -35,000 March 2023 CGB (CGBH23) futures contracts
- +2,000 In-the-money call options on CGBZ22 futures contracts
- +1,000 At/out-of-the-money call options on CGBH23 futures contracts
- -7,000 In-the-money call options on CGBH23 futures contracts
- +9,000 At/out-of-the-money put options on CGBZ22 futures contracts
- -5,000 In-the-money put options on CGBH23 futures contracts

Then calculating the net position and determining whether the position is within the position limit can be illustrated as:

Long positions on CGB futures	+175,000
Less short positions on CGB futures	-35,000
Net position on CGB futures	+140,000
Add In-the-money and half of At/out-of-the-money calls held on CGB futures	+2,500
Less In-the-money and half of At/out-of-the-money calls written on CGB futures	-7,000
Less In-the-money and half of At/out-of-the-money puts held on CGB futures	-4,500
Add In-the-money and half of At/out-of-the-money puts written on CGB futures	+5,000
Net position on options on CGB futures	-4,000
The Person's net position, in number of contracts, is:	+136,000
This is over (under) the all-months position limit, in number of contracts, by:	(14,000)

Q6: How are options and share futures aggregated for position limit purposes?

A6: Pursuant to paragraph [6.309A\(a\)](#) and subparagraph [6.309A\(b\)\(iii\)](#), share futures positions are netted by underlying interest and aggregated with the options positions relating to the same underlying interest per side of the market. For position limit purposes, the futures equivalent of one futures contract is one option contract.

Example 3

If the position limit on Dollarama Inc. Futures (FDO) and Dollarama Inc. Options (DOL) is 250,000 and a Person has the following long (+) and short (-) positions:

- +180,000 December 2022 FDO futures contracts
- -50,000 March 2023 FDO futures contracts
- +85,000 January 2023 DOL call option contracts
- -55,000 February 2023 DOL call option contracts
- -75,000 March 2023 DOL put option contracts
- +65,000 April 2023 DOL put option contracts

Then calculating the net long share futures position, calls held, and puts written (the "Long Side") and the net short share futures position, calls written, and puts held (the "Short Side") and determining whether the positions are within the position limits can be illustrated as:

	Long Side	Short Side
Net long or short futures position	+130,000	
Add calls held to Long Side; Less calls written from Short Side	+85,000	-55,000
Add puts written to Long Side; Less puts held from Short Side	+75,000	-65,000
The Person's net position, in number of contracts, is:	+290,000	-120,000
This is over (under) the position limit, in number of contracts, by:	40,000	(130,000)

Example 4

If the position limit on iShares S&P/TSX Capped Energy Index ETF Futures (FEG) and iShares S&P/TSX Capped Energy Index ETF Options (XEG) is 500,000 and a Person has long (+) and short (-) positions of:

- -500,000 December 2022 FEG futures contracts
- +50,000 March 2023 FEG futures contracts
- -55,000 February 2023 XEG call option contracts
- -525,000 March 2023 XEG put option contracts

Then calculating the Long Side and the Short Side and determining whether the positions are within the position limits can be illustrated as:

	Long Side	Short Side
Net long or short futures position		-450,000
Add calls held to Long Side; Less calls written from Short Side		-55,000
Add puts written to Long Side; Less puts held from Short Side	+525,000	
The Person's net position, in number of contracts, is:	+525,000	-505,000
This is over (under) the position limit, in number of contracts, by:	25,000	5,000

Notes:

- For (i) Options on stocks, exchange-traded funds, and trust units and (ii) aggregated Options and Share Futures Contracts, a Person can simultaneously breach both the Long Side and the Short Side position limits (see Example 4).
- Contrary to options on futures (see A5), the moneyness of Options on stocks, exchange-traded funds, and trust units is irrelevant for position limit purposes.

Q7: Which accounts must be aggregated for position limit purposes?

A7: Pursuant to paragraph [6.310\(b\)](#), the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, must be aggregated.

A Person means an individual, a Partnership, a corporation, a government or any department or agency thereof, a court, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual.

Q8: I am a Participant and a client has an omnibus account. How must the omnibus account be monitored for position limit breaches? (added April 26, 2022)

A8: The Division acknowledges monitoring omnibus accounts for position limit purposes can add an additional challenge for Participants. However, Participants remain responsible for all account types and should evaluate which additional controls should be implemented, if any, for omnibus accounts.

Q9: How is a position limit exemption obtained?

A9: A position limit exemption may be obtained by one of two ways:

- For a position limit exemption on **Listed Products pursuant to Article 6.311** related to bona fide hedging (as defined in Article 6.318 and Article 6.319) or risk management purposes (as defined in paragraph (d) of Appendix 6D-1 of the [Rules](#)), a Participant or a client must apply by completing the standardized form in Annexe A of [Policy C-1](#). The form may be submitted to info.mxr@tmx.com.
- For a position limit exemption on **Options on stocks, exchange-traded funds, and trust units** and on **share futures pursuant to paragraph 6.309A(d)**, a Person need not file an exemption request with the Bourse. However, the Division may request further information including a complete and accurate description of the positions taken in the Underlying Interest or in a Security related to the Underlying Interest of the Listed Product.

Q10: When must a position limit exemption request be filed?

A10: An exemption request from a position limit shall be filed the moment the position limit for a specific Listed Product is reached or the moment the Participant or client realizes that the limit will be breached as a result of an anticipated Transaction. Where an exemption request cannot be filed immediately, it shall be filed not later than 10:30 A.M. (Montreal time) on the first business day following the day on which the limit is reached and shall provide justification for the late filing of the request.

A Participant or a client wishing to renew an exemption from a position limit must file a request for exemption with the Division. The exemption renewal request shall be filed not later than ten business days before the expiration date of the exemption.

Q11: What happens if a Person exceeds or attempts to exceed a position limit?

A11: A Participant must report immediately to the Division any situation in which the Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed one or more position limits established by the Bourse.

Whenever the Division finds that a Person or group of Persons acting in concert holds, controls, or is obligated in respect of an aggregate position, long or short, in excess of the applicable position limit for a Listed Product, the Division may order all Participants carrying a position in such Listed Product for such Person or group of Persons acting in concert, to liquidate such position within the time set by the Bourse consistent with the maintenance of a fair and orderly market.

Questions regarding the FAQ may be directed to the Division at:

- info.mxr@tmx.com
- 514-787-6530
- Toll-free from Canada and US at 1-800-361-5353 extension 46530
- Toll-free from the UK and France at 00 800 36 15 35 35 extension 46530