



July 21, 2017

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M^e Martin Jannelle
Legal Counsel
Office of the General Counsel
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Québec H4Z 1A9

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des Marchés Financiers
Tour de la Bourse
P.O. Box 246, 800 Victoria Square, 22nd Floor
Montréal, Québec H4Z 1G3

Dear M^e Jannelle and M^e Beaudoin:

Re: Request For Comments - as per Circular 078-17 issued by Bourse de Montréal Inc. (the “Bourse”) on May 31, 2017 (the “Circular”) – Introduction of Basis Trades on Close for Index Futures, Sector Index Futures and Share Futures – Amendments to Article 6380 of Rule 6 of Bourse de Montreal Inc. – Amendments to the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions and to the Procedures for the Cancellation or Adjustment of Trades.

The Investment Industry Association of Canada (the "IIAC") would like to take this opportunity to express its views on the proposed changes via Request for Comments - as per the Circular.

The IIAC and its Mandate

The IIAC is the national association representing the position of 131 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.

The Bourse's Proposed Amendments

The IIAC and its Members understand that:

"Bourse de Montreal Inc. (the "Bourse") intends to launch a new functionality by which an investor will be able to enter, in the electronic trading book of the Bourse, orders on futures contracts whose prices are expressed as a spread to the closing price of the futures' underlying interest. The new functionality called "Basis Trade on Close" ("BTC") will offer "benchmark-conscious" investors a tool designed to reduce the risk of incurring unexpected transaction costs and the resulting adverse impact on their investment returns."

We further understand that the objective of the proposal is for the Bourse:

"...to offer an universal and completely transparent trading tool that allows all investors to post and trade basis-type orders on various types of futures contracts on a fully electronic platform."

IIAC's Position on the Proposed Amendments

The Bourse's proposed amendments have triggered some questions from Industry members.

To support the initiative, we require clarification on the following points in order to better understand the proposal and its impact on our members:

- Once a basis trade is executed, what information will be available in TMS?
- Will the information displayed in TMS at execution be altered by the MX automatically after 4pm?
- Is the MX going to split the trade into two prices since futures on S&P/TSX 60 contracts trade in 10c increments and the basis does not?
- Is there any commitment from (or intent to have) market makers to make on-screen markets?
- Will there be commitment/obligation to maintain a minimal bid-ask spread on the basis market?

Technological Impacts of Proposed Amendments

As per the Bourse's Circular:

“The Bourse has reached out informally to a limited number of market participants and vendors and asked feedback concerning possible impacts. The surveyed group has highlighted possible development needs. The Bourse will invite the surveyed vendors to conduct a full review of specifications, when available, in order to highlight issues. In addition, the Bourse will invite market participants to raise any impact they may foresee as part of the request for comments process, in order for the Bourse to take those into account in its implementation plan.”

[Emphasis added]

Our members foresee technical impacts on their systems. The IIAC wishes to reiterate that the members of its Derivatives Committee are available to provide feedback, either formally or informally, to proposals from the Bourse. It may be beneficial for the Bourse to reach out to the IIAC (representing the Industry members) instead of reaching out informally to a limited number of market participants.

Furthermore, please note that the IIAC and its Members, as always, remain available for further consultations.

Yours sincerely,



Annie Sinigagliese
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