



## NOTICE TO MEMBERS

No. 2021 - 031

February 22, 2021

### Options Expiry Cycles Rollout Plan

Bourse de Montréal Inc. (the Bourse) and Canadian Derivatives Clearing Corporation (CDCC) wish to inform of the proposal to modify the current listings to adopt a continuous listing of up to two years for all options. The proposed amendments are to allow for a single continuous cycle with expiries of up to two (2) years. The new cycle will be introduced on all classes and consists of four (4) consecutive months with two (2) quarterly expiries.

The Bourse would also allow for the listing of long-term expiries up to two (2) years on the current eligible classes.

#### Objectives

- Harmonization of options expiry cycles with share futures expiry cycles (4 near term months + 4 quarterlies from Mar, Jun, Sep, Dec) to enhance market participants' ability to pursue hedging and strategy-based opportunities
- Reduction of client requests to the Market Operations Department to add new options series intraday leading to improved market maker performance
- Support the share future settlement price model under development which utilizes option prices and non-arbitrage constraints to define the settlement prices.
- Alignment with OTC market offerings, providing clients with exchange listed alternatives
- Conformity with global peers such as Euronext, Borsa Italiana and ASX, where a single harmonized option cycle is present.

#### Overview

The introduction of the new expiry cycles will be applied gradually on an incremental number of classes (from most active to least active based on 2020 trading volume) each month for a duration of 6 months.

The table below displays the number of classes in each expiry cycle to be converted to the new options expiry cycle during each phase of the rollout. Note that the date of each rollout corresponds to the Monday following the monthly expiry. All new classes listed as of February 22nd will automatically be enrolled in the new proposed cycle.

## Long-Term Options

Long-term options will remain available on the options classes that are currently authorized for long-term expiry. The full list of long-term options is accessible [here](#).

Long-Term Options	
<b>Equity Options</b>	Two years out with the January expiry to be listed in May
<b>Options on ETFs</b>	Two years out with the March expiry to be listed in July

## Short Cycle

All options whose underlying stock price is trading below \$3 will be placed under a short cycle (3 consecutive rolling months). Options that are currently under a short cycle should remain as such and be excluded from the Options Expiry Cycle Rollout plan.

## Current Expiry Cycles

Current Expiry Cycles	
<b>Cycle 1</b>	2 NT + 2 from Jan Apr Jul Oct
<b>Cycle 2</b>	2 NT + 2 from Feb May Aug Nov
<b>Cycle 3</b>	2 NT + 2 from Mar Jun Sep Dec
<b>Cycle 4</b>	3 NT + 2 from Mar Jun Sep Dec
<b>Short Cycle</b>	3 NT

## Proposed Expiry Cycles

Proposed Expiry Cycles		Apr	May	Jun	Jul	Sep	Dec
<b>New</b>							
<b>Current</b>	<b>Cycle 1</b>	Apr	May		Jul		Oct

	<b>Cycle 2</b>	Apr	May			Aug		Nov	
	<b>Cycle 3</b>	Apr	May	Jun			Sep		
	<b>Cycle 4</b>	Apr	May	Jun			Sep	Dec	

- Existing expiry cycle
- New expiry cycle that will be added
- Existing expiry cycles that will remain listed if there is open interest
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Phases	Date	Total Number of Classes	Cycle 1	Cycle 2	Cycle 3	Cycle 4	Short Cycle
1	Mar 22	5	2	-	1	2	-
2	Apr 19	10	8	1	-	1	-
3	May 17	25	13	4	3	5	-
4	Jun 21	50	35	4	7	4	2
5	Jul 19	100	85	5	5	5	6
6	Aug 23	97	72	0	2	23	3
<b>Total</b>		<b>301</b>	<b>215</b>	<b>14</b>	<b>18</b>	<b>40</b>	<b>11</b>

To review the list of options classes included in each phase and the impact of the rollout in terms of additional expiries, consult the document [here](#).

Please refer to the Advisory Notice [032-21](#) available on the Bourse website at [www.m-x.ca](http://www.m-x.ca). For further information, please contact the Market Operations Department at 514 871-7877.

Clearing Members may contact the CDCC's Corporate Operations department or direct email inquiries to [cdcc-ops@tmx.com](mailto:cdcc-ops@tmx.com).

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