

CIRCULAR 004-23

January 10, 2023

2023 COMPLIANCE PRIORITIES AND REGULATORY DIVISION INITIATIVES

Bourse de Montréal Inc. (the “Bourse”) is recognized by the Autorité des marchés financiers (the “Autorité”) as an exchange and self-regulatory organization. The Regulatory Division (the “Division”) is a separate unit of the Bourse responsible for carrying out the Bourse’s regulatory functions and operations. The purpose of this circular is to look back at highlights from 2022 and share the 2023 compliance priorities as well as the Division’s ongoing initiatives.

2022 Highlights:

- Introducing a prearranged transaction order marker;
- Introducing requirements related to cybersecurity applicable to Approved Participants;
- Introducing the *Participant Approval* and *Cybersecurity* modules on the Participant Portal;
- Hosting an in-person Compliance Forum;
- Publishing new versions of the Participant Scorecard, Division Newsletter and Approved Person course material;
- Optimizing surveillance tools by enhancing analytics and exploring innovative approaches.

2023 Compliance Priorities

While conducting its regulatory activities last year, namely inspections, market analyses, investigations, and disciplinary matters, as well as in light of questions, comments and complaints received, the Division has identified certain compliance issues that will be prioritized throughout 2023. The Division has also noted that certain regulatory matters identified in the past, remain a challenge for several Approved Participants. The Division therefore invites Approved Participants to pay particular attention to the following items (presented in no particular order) and to ensure that their practices comply with the regulatory requirements:

1. Manipulative and Deceptive Methods of Trading including but not limited to layering, spoofing, and marking the close are prohibited (Article [7.5](#)). The Division reminds Participants that such practices are prohibited and that Participants must notify the Division when an employee, Approved Person, or sponsored access client has possibly violated Article [7.5](#) pursuant to subparagraph [3.105\(b\)\(ii\)](#).
2. Complete records and documentary evidence relating to an exchange for related product (“EFRP”) transaction are required for each EFRP transaction (paragraph [6.208\(e\)](#)) including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the Transaction and to any transfer of funds or ownership made in connection with such Transaction. The Division invites Participants to review the [EFRP FAQ](#) for further information.

3. New 2022 requirements in effect including notification to the Regulatory Division of a cybersecurity incident (Article [3.113](#)) and prearranged transaction marker (paragraph [6.115\(b\)](#)). The Division reminds Participants of their new obligations and will be implementing new measures to monitor whether Participants are complying with their obligations.

The Division personnel, through its Regulatory Outreach Program, remain available to answer any questions related to these items or to discuss any regulatory concerns or issues. Furthermore, if additional information or clarification is required, do not hesitate to contact the Division (coordinates may be found at the end of this circular).

2023 Division Initiatives

The Division favours a culture of transparency and openness with its various stakeholders. Below are some initiatives that the Division will pursue during the course of the year 2023:

1. Finalize surveillance system alert calibration to complete system implementation and optimize tools;
2. Perform penetration tests on the Participant Portal to ensure integrity and confidentiality of regulatory data remains safeguarded;
3. Introduce specifications for a client identifier and other order markers at order entry;
4. Strengthen procedures regarding the treatment of personal information; and
5. Offer training to various universities to demonstrate the Division's role in financial markets.

These initiatives will be the subject of a collaborative approach with the various stakeholders, particularly through exchanges and discussions during the Division's User Group meetings and the Client Identifier Working Group.

Finally, the Division intends to continue publishing a semiannual newsletter to share observed best practices, frequent examination findings and general information concerning its regulatory operations, including fines for minor violations imposed during the period, as well as the Scorecard relating to an Approved Participant's level of compliance.

For more information or for any questions, please contact the Regulatory Division, at:

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- 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

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