

FAQ

Regulatory Division of Bourse de Montréal Inc.

Subject: Memorandum of Understanding between the Investment Industry Regulatory Organization of Canada and Bourse de Montréal inc.

Rule Article: N/A

Last Update: April 13, 2022

In the event of any discrepancy between the memorandum of understanding between Bourse de Montréal Inc. (the “Bourse”) the Investment Industry Regulatory Organization of Canada (“IIROC”) signed in December 2021 (the “MoU”) and this document (the “FAQ”), the MoU shall prevail. The FAQ is intended to clarify certain aspects of the MoU and does not set forth a full description of all provisions contained therein. Questions regarding the FAQ may be directed to the Regulatory Division (the “Division”) of the Bourse:

- 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

Q1: What is the MoU and who are the parties involved?

A1: As [announced](#) by the Canadian Securities Administrators (the “CSA”), the main objective of the MoU is to establish a framework to help mitigate the risk of market integrity breaches by means of cross-market surveillance of the Canadian securities and derivatives markets. The parties to the MoU are IIROC and the Bourse, both of which are recognized as self-regulatory organizations (“SROs”) in Canada. IIROC oversees all investment dealers and trading activity on Canada’s debt and equity marketplaces. The Bourse is Canada’s exchange-traded financial derivatives market and the Division is tasked with surveillance and ensuring compliance with its own rules, rulings, policies, procedures, instructions, decisions, and directions for trading activity on the Bourse.

The MoU includes four protocols establishing the roles and responsibilities of each SRO with respect to:

- **Cross-market surveillance**, to outline IIROC's responsibilities in carrying out all cross-market surveillance activities and procedures;
- **Investigations and enforcement**, to implement and coordinate the process intended to regulate referrals of investigation and enforcement activities and to develop criteria to govern referrals;
- **Data and information sharing**, to set out the terms for the collection, transfer, sharing, processing and storage of Bourse data; and
- **Joint inspections**, to coordinate joint inspections between the Division's inspections service and IIROC's trading conduct compliance for firms that are both Approved Participants of the Bourse and dealer members of IIROC.

Q2: What is the purpose of cross-market surveillance?

A2 The purpose of cross-market surveillance is to identify, detect, and deter any real or potential unfair cross-market trading practices, trading rule violations and breaches in an effort to ensure market integrity and the protection of investors. Cross-market surveillance is performed on Canada's equity and debt markets as well as derivatives listed on the Bourse for which IIROC has the relevant information on the underlying instruments.

Q3: How is the current MoU different from the previous memorandums of understanding?

A3: Under earlier memorandums of understanding, the two SROs have for several years been sharing information. Previous versions covered inspections, investigations and enforcement, as well as data and information sharing to varying extents. The current MoU framework has broadened to facilitate enhanced cross-market surveillance and joint inspections.

Q4: How does the MoU affect Approved Participants?

A4: With regards to cross-market surveillance, there is no operational impact other than requests for information, investigations, or enforcement cases regarding potential regulation violations resulting from cross-market activities. The MoU includes a process that governs the referral of investigation and enforcement activities arising from cross-market surveillance.

Additionally, joint inspections of firms that are both Bourse participants and IIROC Dealer Members will be carried out when appropriate. A participant may decline to be the subject of a joint inspection. IIROC and the Division will solicit participant feedback following joint inspections.

Q5: Is the MoU publicly available?

A5: No. The MoU itself is confidential. Nonetheless, IIROC and the Bourse have jointly agreed to release a summary (the "Joint MoU Summary") to assist market participants and the public in understanding the MoU.

Q6: Will the Division raise its regulatory fees as a result of the MoU?

A6: Implementation of the MoU will not result in immediate fee amendments. However, fees are always subject to change. The Division cannot guarantee that regulatory fees will remain the same in the future.

Q7: What data is shared with IIROC?

A7: Both IIROC and the Division share information relevant to their regulatory functions as SROs. Specific to the cross-market surveillance mandate, the Bourse provides IIROC with its trading data, while the Division provides IIROC with regulatory data and information that is housed exclusively within the Division.

The Canadian Derivatives Clearing Corporation (“CDCC”) has intervened to the MoU to ensure that CDCC’s data necessary for performing cross-market surveillance are provided to IIROC or the Division, as necessary.

Q8: Is the information shared confidential and secure?

A8: Yes. Each SRO has robust data protection policies and practices and the MoU contains reciprocal confidentiality obligations. All data, information, materials, and documents of any kind shared between IIROC and the Division must be used solely as provided in the MoU and in accordance with the applicable laws.