



CIRCULAR 063-23

May 1, 2023

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO MODIFY THE GOVERNANCE OF THE REGULATORY DIVISION

Bourse de Montréal Inc. (the “**Bourse**”) approved minor amendments to its rules, as published for consultation in the Autorité des marchés financiers (the “AMF”) Bulletin of November 17, 2022 ([Volume 19, No 45](#)), with regards to the governance of the Regulatory Division. These minor modifications, made since that version published by the AMF, are identified in the attached black line copy.

These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

These amendments, attached hereto, will become effective on **May 2, 2023**. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

For additional information, please contact Maxime Rousseau-Turenne, Legal Counsel, by email at maxime.rousseauturenne@tmx.com.

Maxime Rousseau Turenne
Legal Counsel
Bourse de Montréal Inc.

Article 1.101 Definitions

The meanings of terms, and the corresponding term in French, are as follows:

[...]

Market Integrity Rules (Règles d'Intégrité du Marché) means all Rules relating to market integrity, including, without limitation:

- (a) the rules relating to the establishment of the Regulatory Division and its functions, oversight and administrative structure;
- (b) the standards concerning the integrity, competencies and admission requirements for Approved Participants; and
- (c) the rules governing the conduct of Approved Participants.

[...]

MX Self-Regulatory Oversight Committee (Comité de Surveillance en matière d'Autoréglementation de la MX) means the MX Self-Regulatory Oversight Committee of the Regulatory Division appointed by the Board of Directors, to perform those functions and to exercise those powers provided in its charter.

[...]

Public Interest Mandate (Mandat d'Intérêt Public) means the public interest mandate of the Bourse established under Section 26 of the Derivatives Act.

[...]

Recognition Order (Décision de Reconnaissance) means the order [No. 2023-PDG-0012](#) from the Autorité des marchés financiers recognizing the Bourse as an exchange and as a self-regulatory organization, dated ~~[X], 2022.~~ [April 4, 2023 \(as may be modified from time to time\)](#).

~~[...]~~

[...]

Article 1.104 Delegation

- (a) Unless otherwise specified and subject to compliance with any applicable law (including any order or requirement of a Securities Regulator), the following individuals may delegate the powers and obligations granted to them under these Rules to an employee of the Bourse:

[...]

- (ii) the President, Regulatory Division; and

[...]

- (b) For greater clarity:

[...]

- (ii) The powers and obligations of the President, Regulatory Division may be delegated only to an employee of the Bourse who is a member of the Regulatory Division.

[...]

PART 2 - GOVERNANCE

Chapter A — Board of Directors

Article 2.0 Exercise of Power of the Bourse

Whenever the Bourse is specified as having any powers, rights, discretion or is entitled to take any action, then such powers may be exercised on behalf of the Bourse by the Board of Directors, its designated officers or by any committee or Person designated by the Board of Directors or the President of the Bourse, unless the subject matter or context otherwise requires.

Chapter B — Regulatory Division

Article 2.100 Creation of the Regulatory Division

The Regulatory Division is created by the Board of Directors with the aim of ensuring that the regulatory functions of the Bourse are carried out efficiently and fairly. To this end, the supervision of the regulatory functions and operations of the Bourse are entrusted to the Regulatory Division, which shall operate as a distinct business unit separate from the other activities of the Bourse. The Regulatory Division shall be not-for-profit and financially self-sufficient.

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Article 2.101 Functions of the Regulatory Division

The Regulatory Division carries on its functions in the following fields of activity:

- (a) Market analysis, including but not limited to:
 - (i) review and analysis of the Transactions executed on the market of the Bourse to determine whether the applicable Regulations of the Bourse are being complied with;
 - (ii) review and analysis of position reports filed on a regular basis with the Regulatory Division by the Approved Participants;
 - (iii) monitoring of insider trading activities on the market of the Bourse; and
 - (iv) analysis and processing of exemption requests filed by Approved Participants with the Regulatory Division.
- (b) Examinations of Approved Participants' Derivative Instruments trading desks, including but not limited to:

- (i) verification of compliance of the trading practices of Approved Participants and their Approved Persons with the Regulations of the Bourse; and
 - (ii) issuance of reports of any deficiency identified in the course of an examination.
- (c) Investigations, including but not limited to:
- (i) investigation of possible violations of the Regulations of the Bourse by an Approved Participant or an Approved Person; and
 - (ii) referring of any conclusive investigation to the person of the Regulatory Division designated as being responsible for enforcement and disciplinary matters.
- (d) Enforcement and discipline, including but not limited to, initiation of disciplinary procedures against an Approved Participant or Approved Person.
- (e) Development of regulatory proposals and issuance of circulars, including, but not limited to:
- (i) development of regulatory proposals that seek to amend the Regulations of the Bourse; and
 - (ii) preparation of regulatory circulars published on a regular basis by the Bourse.
- (f) Registration, including, but not limited to:
- (i) processing of applications for admission as an Approved Participant;
 - (ii) processing of applications as Approved Persons;
 - (iii) processing of files relating to corporate changes affecting Approved Participants, such as changes in control, acquisitions of Major Positions in an Approved Participant's capital and reorganization.

Article 2.102 Administrative Structure of the Regulatory Division

- (a) The Regulatory Division shall be managed by the President, Regulatory Division, who, except for matters within the purview of the MX Self-Regulatory Oversight Committee or the Board of Directors, shall have the authority to make all decisions relating to the Regulatory Division.
- (b) The President, Regulatory Division and all other managers of the Regulatory Division shall reside in Québec.
- (c) The President, Regulatory Division shall report to the MX Self-Regulatory Oversight Committee in regard to all regulatory and disciplinary matters and the President, Regulatory Division or such Person's designee shall attend the meetings of the MX Self-Regulatory Oversight Committee.
- (d) With regard to day-to-day administrative matters, the President, Regulatory Division shall report to the Person designated by the Bourse for that purpose.
- (e) The financial structure of the Regulatory Division shall be separate from that of the other activities of the Bourse and will operate on a cost recovery basis. Any surplus, other than fines and other amounts specified in paragraph (f), will be redistributed to Approved Participants, and any shortfall shall be made up by a special assessment from Approved Participants or by the Bourse upon recommendation to the Board of Directors by the MX Self-Regulatory Oversight Committee.
- (f) Fines and other amounts collected by the Regulatory Division pursuant to settlement offers concluded with the Regulatory Division or disciplinary procedures must be treated as follows:
 - (i) no amounts shall be redistributed to Approved Participants;
 - (ii) a separate accounting shall be maintained of revenues and expenses related to disciplinary files;
 - (iii) any amount collected shall first be used to cover the direct costs incurred in connection with such proceedings;
 - (iv) any net excess shall be used, with the approval of the MX Self-Regulatory Oversight Committee, for any of the following purposes:
 - (1) the education or information of Derivative Instruments market participants and of the public in general or for the costs of research in that field;
 - (2) payments to a not for profit and tax-exempt organization whose main mission is to protect investors or carry on the activities mentioned in subparagraph (iv)(1);
 - (3) educational projects; or

- (4) other purposes approved by the Autorité des marchés financiers.
- (g) The Regulatory Division may provide regulatory services to other exchanges, self-regulatory organizations, trading systems or other Persons.
- (h) The Regulatory Division may subcontract some of its work to other exchanges, self-regulatory organizations or other Persons.

Chapter C — MX Self-Regulatory Oversight Committee of the Regulatory Division

Article 2.200 MX Self-Regulatory Oversight Committee

The MX Self-Regulatory Oversight Committee shall be appointed by the Board of Directors to perform those functions and to exercise those powers provided in its charter. Its rules of procedure shall be the rules of procedure of the Board of Directors, subject to such changes as may be necessary to adapt them to the circumstances.

Chapter D — Advisory Committee on Self-Regulation

Article 2.300 Advisory Committee on Self-Regulation

The Advisory Committee on Self-Regulation shall be appointed by the MX Self-Regulatory Oversight Committee to perform those functions and to exercise those powers provided in this Chapter.

Article 2.301 Composition of the Advisory Committee on Self-Regulation

- (a) The Advisory Committee on Self-Regulation shall consist :
 - (i) of at least 50% of Persons who are Québec residents at the time of their appointment and for the duration of their term;
 - (ii) entirely of Persons who satisfy the independence criteria set out in the Recognition Order(except for Persons representing an Approved Participant of the Bourse as provided for in paragraph ~~v~~vi. below);
 - (iii) entirely of Persons who have expertise in derivatives;
 - (iv) of at least two-thirds of Persons who have legal expertise in compliance or in self-regulation in securities or derivatives;
 - (v) of at least one Person who represents ~~an institutional investor that is~~ a permitted client (as defined in Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (“Regulation 31-103”)) of an Approved Participant ~~of the Bourse~~;
 - (vi) of at least one Person who represents an Approved Participant ~~of the Bourse~~; and
 - (vii) of at least one Person who ~~has expertise~~represents the interests of clients of Approved Participants other than permitted clients (as defined in investor advocacy Regulation 31-103).

Article 2.302 Quorum

The quorum at meetings shall be constituted of a majority of members in office of the Advisory Committee on Self-Regulation attending in Person, by telephone or by videoconference and ~~the majority~~ at least 50% of members so attending must be Québec residents within the meaning of the Recognition Order and must satisfy the independence criteria set out in the Recognition Order.

Article 2.303 Responsibilities of the Advisory Committee on Self-Regulation

The Advisory Committee on Self-Regulation shall formulate recommendations to the Regulatory Division about draft Market Integrity Rules and amendments to Market Integrity Rules to help the Bourse perform its Public Interest Mandate.

PART 3 - APPROVED PARTICIPANTS AND APPROVED PERSONS

Chapter A — Admission Criteria and Process for Approved Participants

Article 3.0 Admission

- (a) Each Approved Participant must be approved as such by the MX Self-Regulatory Oversight Committee at the time of admission, and must thereafter comply with the conditions required to remain an Approved Participant as set forth in the Regulations of the Bourse. Approved Participants may be Partnerships (referred to as “Partnership Approved Participants”) or corporations (referred to as “Corporate Approved Participants”);

[...]

Article 3.2 Admission Criteria for Approved Participants

No one may be admitted as an Approved Participant unless:

[...]

- (e) Major Position. At the time of approval and on a continuing basis thereafter:

[...]

- (ii) approval of the MX Self-Regulatory Oversight Committee must be obtained prior to any Person taking a Major Position in an Approved Participant which results in a change of control of the Approved Participant which is likely materially to affect its operations.

[...]

Article 3.1907 Decision of the MX Self-Regulatory Oversight Committee

- (a) In considering whether it should approve an application for admission as an Approved Participant, the MX Self-Regulatory Oversight Committee may require whatever information it deems appropriate. It may, in its discretion, require the applicant to appear before it. However, before rendering a decision that unfavourably affects the applicant, the MX Self-Regulatory Oversight Committee must give the applicant an opportunity to be heard.
- (b) If the MX Self-Regulatory Oversight Committee rejects an application for admission as an Approved Participant, at least six (6) months must elapse before the applicant may again submit an application; *provided however*, if presented with a new fact during this six (6) month period, the MX Self-Regulatory Oversight Committee may review its decision and the provisions of paragraph (a) shall apply, *mutatis mutandis*, to the decision to review the application for admission and the review process itself.

[...]

Chapter D — Suspension, Revocation, Termination and Resignation of Approved Participants and Others

Article 3.300 Process for Resignation

- (a) No Approved Participant may resign without the prior approval of the MX Self-Regulatory Oversight Committee, which may be withheld until the MX Self-Regulatory Oversight Committee determines that it is satisfied that the Approved Participant will fully comply with any investigation or proceedings that are ongoing or may arise following the Approved Participant's resignation. In making that determination, the MX Self-Regulatory Oversight Committee shall take into account anything that it deems relevant, which may include an assessment of the likelihood that the Approved Participant will maintain its existence and financial resources following its resignation. To satisfy itself as to the foregoing, the MX Self-Regulatory Oversight Committee may condition its acceptance of the resignation on the provision of such things and undertakings as it sees fit, which may include undertakings to maintain the Approved Participant's existence or financial guarantees from any Person with control over the Approved Participant.
- (b) An Approved Participant wishing to resign must file with the President, Regulatory Division a written application signed by a partner, a director or an Officer of the Approved Participant to obtain the MX Self-Regulatory Oversight Committee's approval of the resignation. This application must be accompanied, as the case may be, with the payment of fees that may be requested by the Bourse in such a case.
- (c) An Approved Participant who tenders its resignation, must, in its application, state its reasons for resigning and must file with the President, Regulatory Division all financial or other information deemed relevant by the President, Regulatory Division, or required by the MX Self-Regulatory Oversight Committee.
- (d) An Approved Participant who has tendered its resignation shall cease to be an Approved Participant on the date of its resignation approval by the MX Self-Regulatory Oversight Committee or on any other date designated by the MX Self-Regulatory Oversight Committee.

[...]

Article 3.302 Suspension and Revocation

- (a) An Approved Participant that no longer complies with the conditions to be an Approved Participant set forth in the Regulations of the Bourse may be suspended or have its Bourse Approval revoked by the MX Self-Regulatory Oversight Committee on the recommendation of the President, Regulatory Division.

[...]

Article 3.406 Suspension or Revocation Of Approval

- (a) If an Approved Person no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, such Approved Person may be suspended or its Bourse Approval may be revoked by the MX Self-Regulatory Oversight Committee or the Person or Persons authorized to give such Bourse Approval.
- (b) In the event of a suspension or revocation of Bourse Approval of an Approved Person pursuant to this Article or pursuant to Article 4.400, unless otherwise ordered by the President, Regulatory Division, the Approved Participant, the affiliated corporation or subsidiary of the Approved Participant employing this Person must immediately discontinue such Approved Person's employment, and thereafter this Person may not be employed in the same capacity by any Approved Participant, any affiliated corporation or subsidiary of an Approved Participant without permission of the President, Regulatory Division, which may be revoked at any time.

[...]

Article 4.104 Special examinations and investigations

Without limiting the powers conferred upon the Regulatory Division under this Part, the MX Self-Regulatory Oversight Committee or the President, Regulatory Division may in their absolute discretion, at any time, direct a special examination or investigation in respect of any matter coming under the Regulatory Division's jurisdiction, including without limitation the conduct, the business or affairs of any Regulated Person.

[...]

Article 4.210 General ~~Principals~~Principles

[...]

- (b) A settlement agreement must be in writing, in the form prescribed by the Regulatory Division, signed by the Parties, and contain the following:

[...]

- (viii) a statement that the settlement must be accepted by the Disciplinary Committee or the President, Regulatory Division, as the case may be, failing which it shall not bind the Parties involved and the Bourse shall proceed with the hearing of the matter;

[...]

Article 4.211 Submission of Settlement Agreements

[...]

- (b) Notwithstanding the foregoing, a settlement agreement may be accepted by the President, Regulatory Division, without a hearing, if the sanction to be imposed is a reprimand, the sanction provided in subparagraph 4.400 (a) (x), a fine not exceeding \$5,000 in the aggregate, or a combination of the three.
- (c) If a settlement agreement is accepted under this Article 4.211:

[...]

- (iv) the Disciplinary Committee or the President, Regulatory Division (as the case may be) must give written reasons supporting the decision; and

[...]

Chapter G — Disciplinary Committee

Article 4.600 Composition of Disciplinary Committee

- (a) To be eligible to sit on a Disciplinary Committee, an individual must have been approved by the MX Self-Regulatory Oversight Committee. The Secretary shall maintain a list of such individuals. An individual's name shall be deleted from that list upon the instructions of either the individual or the MX Self-Regulatory Oversight Committee.

[...]

Article 4.601 Secretary

- (a) The MX Self-Regulatory Oversight Committee shall appoint the Secretary and may appoint any number of assistant secretaries. An assistant secretary may perform any function of the Secretary if the latter is unable or unwilling to do so. The Secretary and each assistant secretary shall remain in office until their resignation, removal or death.
- (b) The Secretary:

[...]

- (vi) receives and processes applications for appeal to the MX Self-Regulatory Oversight Committee under Article 4.900; and
- (vii) performs any other duties assigned to the Secretary in these Rules or otherwise determined by a Disciplinary Committee or the MX Self-Regulatory Oversight Committee.

Article 4.602 Conflict of interest

- (a) An individual is ineligible to act as a Member if the individual:
 - (i) is or has been, in the three years preceding the date of the relevant Notice of Proceedings, a director, officer or partner of either the Bourse or of the Respondent (if the Respondent is not an individual), or any of their affiliated corporations or entities;
 - (ii) has an Immediate Family Member who is or has been, in the three years preceding the date of the relevant Notice of Proceedings, a director, officer or partner of either the Bourse or any of its affiliated corporations or subsidiaries, or of a Respondent (if

- the Respondent is not an individual) or any of its affiliated corporations or subsidiaries;
- (iii) receives a consulting, advisory or other compensatory fee from the Bourse or any Respondent, other than as remuneration as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, or the receipt of fixed amounts of deferred compensation for prior service with the Bourse or the Respondent that is not contingent on continued service;
 - (iv) is, with respect to any Respondent or any employee of the Regulatory Division, in one of the situations described at Articles 202 or 203 of the Code of Civil Procedure (with the necessary modifications); or
 - (v) has or had another relationship to a Party, or is in any other situation, that may create a reasonable apprehension of bias.
- (b) An individual who is selected for a Disciplinary Committee despite knowing that they are in one of the aforementioned situations shall decline the selection, advising the Secretary of the reasons therefor. A Member who enters, or learns that he is in, one of the aforementioned situations after accepting to sit on a Disciplinary Committee shall immediately notify the Secretary, who shall in turn notify the MX Self-Regulatory Oversight Committee. The Secretary shall also immediately notify the MX Self-Regulatory Oversight Committee if he or she is advised by any other Person that a Member is in one of the aforementioned situations.
- (c) The MX Self-Regulatory Oversight Committee shall promptly consider the matter and determine whether to remove the Member (in which case it shall proceed as described in accordance with Article 4.603).

[...]

Chapter H — Minor violations

Article 4.700 Fine for Minor Violation

- (a) The President, Regulatory Division may, in accordance with the procedure provided in Articles 4.702 and following, for any violation appearing in the List of Fines for Minor Violations published on the website of the Bourse, impose a predetermined fine that cannot exceed \$5,000 per violation, against an Approved Participant or an Approved Person. The violations included in the List of Fines for Minor Violations are:

[...]

- (b) The President, Regulatory Division may impose a fine for any violation included in the List of Fines for Minor Violations against a former Approved Participant or former Approved Person, on the condition that a notice of minor violation is served within the delay provided in article 4.2 (c).
- (c) Notwithstanding the possibility of imposing a fine for a minor violation included in the List of Fines for Minor Violations in accordance with paragraphs a) and b), the President, Regulatory Division, may, at his discretion, choose to file a complaint in accordance with the procedure provided under Chapter C, Part 4 of the Rules.

Article 4.701 Notice of Minor Violation

- (a) Before imposing a fine, the President, Regulatory Division shall serve a notice of a minor violation to the Approved Participant or the Approved Person.
- (b) The notice of minor violation shall:

[...]

- (ii) Be signed by the President, Regulatory Division;

[...]

Article 4.702 Observations or Contestation

- (a) Once a notice of minor violation has been served, the Approved Participant or the Approved Person may, within 20 Business Days:
 - (i) Submit observations in writing to the President, Regulatory Division. These observations must admit or deny the facts; or
 - (ii) Contest the notice of minor violation by notifying the President, Regulatory Division of their desire for the matter to be heard by a Disciplinary Committee in accordance with Chapter G, which notice must be accompanied by a reply as described in Article 4.203. In this instance, the notice of minor violation is deemed a complaint under Article 4.200.

[...]

Article 4.703 Notice of Fine for Minor Violation

- (a) Upon expiry of the deadline provided for in Article 4.702, and after having considered the observations of the Approved Participant or the Approved Person, if any, the President, Regulatory Division may impose the fine prescribed in List of Fines for Minor Violations on this Approved Participant or this Approved Person by serving a notice of a fine for violation or decide not to impose a fine for minor violation. In this case, a notice advising of the closing of the matter will be sent to the Approved Participant or the Approved Person.

[...]

Chapter I — Summary Proceedings

Article 4.800 Grounds for Summary Proceedings

- (a) Where the President, Regulatory Division determines that the methods or practices adopted by an Approved Participant or Approved Person are detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public, the Bourse shall serve a notice of hearing on the Respondent in accordance with Article 4.802. Such methods or practices may include, without limitation:

[...]

- (b) The President, Regulatory Division may, pending the hearing, recommend to the MX Self-Regulatory Oversight Committee that it take action by way of summary proceedings in accordance with this Chapter.
- (c) The President, Regulatory Division may also recommend to the MX Self-Regulatory Oversight Committee that it take action by way of summary proceedings in accordance with this Chapter if:

[...]

Article 4.801 Summary Actions

(a) Notwithstanding anything to the contrary contained in any other provision of the Regulations of the Bourse, in any of the circumstances described at subparagraph 4.800 (a), the MX Self-Regulatory Oversight Committee may impose without any notice, hearing or formality whatsoever, one or more of the following orders:

- (i) the suspension of an Approved Participant or Approved Person, which may be limited to a suspension of specific rights and privileges, for a period and upon any terms and conditions determined by the MX Self-Regulatory Oversight Committee;

[...]

(b) All orders imposed by the MX Self-Regulatory Oversight Committee under subparagraph (a) are interim orders that take effect immediately upon delivery of the notification to the Approved Participant or Approved Person and remain in force until a hearing is held, at which time any such order may be confirmed, set aside or modified.

(c) In any of the circumstances described at paragraph 4.800 (c), the MX Self-Regulatory Oversight Committee may, without any notice, hearing or formality whatsoever:

- (i) declare an Approved Participant or Approved Person a Defaulter, upon which the Approved Participant or the Approved Person shall automatically be suspended; and
- (ii) within 10 Business Days after being declared a Defaulter, or such other period as the MX Self-Regulatory Oversight Committee may decide, suspend or revoke the Bourse Approval of an Approved Participant or Approved Person if the cause of such default is not remedied to the satisfaction of the MX Self-Regulatory Oversight Committee.

(d) No Approved Participant shall allow a Person declared as a Defaulter to conduct any trading activities on the Bourse without the written consent of the MX Self-Regulatory Oversight Committee.

Article 4.802 Summary Proceedings Hearing

[...]

(c) Upon consideration of the grounds for proceedings invoked under Article 4.800, the Disciplinary Committee may render a decision to:

- (i) set aside or modify an interim order imposed by the MX Self-Regulatory Oversight Committee under Article 4.801 (b);

[...]

Chapter J — Appeal before the MX Self-Regulatory Oversight Committee

Article 4.900 Jurisdiction of the MX Self-Regulatory Oversight Committee

An appeal from a decision of the Regulatory Division (other than of a Disciplinary Committee) may be brought before the MX Self-Regulatory Oversight Committee.

[...]

Article 4.903 Security for Costs

When the appeal appears abusive, dilatory, frivolous, or for some other special reason, the MX Self-Regulatory Oversight Committee may, upon request, order the appellant to furnish, within a prescribed period, Security to guarantee, in whole or in part, the payment of the costs of appeal, the amount of the fine and the costs and expenses listed in Article 4.106, if the appeal is dismissed. If the appellant does not furnish Security within the prescribed period, the MX Self-Regulatory Oversight Committee may dismiss the appeal.

Article 4.904 Stay of Decision

Unless otherwise ordered by the MX Self-Regulatory Oversight Committee, an appeal suspends the execution of the decision of the Regulatory Division provided however, suspension of the rights of an Approved Participant or Approved Person, prohibition to obtain Bourse Approval, expulsion of an Approved Participant and revocation of Bourse Approval is executory, notwithstanding appeal, unless otherwise ordered by the MX Self-Regulatory Oversight Committee.

Article 4.905 Basis of the Appeal

The appeal is argued on the basis of the file, provided however that, in exceptional circumstances and if justice so requires, the MX Self-Regulatory Oversight Committee may authorize the presentation of additional evidence.

Article 4.906 Applicable Procedures

Subject to the provisions in this Chapter, the procedures applicable to a hearing before a Disciplinary Committee shall apply to any hearing before the MX Self-Regulatory Oversight Committee, with the necessary modifications.

Article 4.907 Disqualification

A member of the MX Self-Regulatory Oversight Committee who has any grounds for recusal pursuant to Article 4.602 (other than those set forth in subparagraph 4.602 (a) (ii)) is not eligible to sit in appeal from a decision.

Article 4.908 Review Under the Derivatives Act

A Party may submit a decision of the MX Self-Regulatory Oversight Committee for review in accordance with the Derivatives Act (Quebec), except for an order imposed under Article 4.801.

PART 5 - DISPUTES

[...]

Article 5.1 Appointment of Arbitrators

The procedure for the appointment of the arbitrators shall be as follows. The Approved Participant believing himself to be the injured party shall deliver to the President, Regulatory Division a written memorandum in triplicate, stating in a summary way the matter in dispute and the redress he claims and appointing an arbitrator. The President, Regulatory Division shall forward one (1) copy of such memorandum to the opposite party, who shall, within seven (7) business days after receipt thereof, file with the President, Regulatory Division a written memorandum in triplicate containing his statement of the matter in dispute and appointing an arbitrator. The President, Regulatory Division shall forward

one (1) copy thereof to the opposite party and copies of both memoranda to the arbitrators so appointed, and the latter shall proceed within forty-eight (48) hours after receipt of the memoranda to appoint a third arbitrator. If a party fails to appoint an arbitrator, the President, Regulatory Division shall appoint one for him, and in the event of the two arbitrators already appointed failing to appoint the third arbitrator within the time set above, he shall be appointed by the President, Regulatory Division.

Article 5.2 Arbitration Hearing

The three arbitrators so appointed must promptly give written notice to the parties of the date, time and place of their first meeting, which shall be held within seven (7) days after the appointment of the third arbitrator and at which the parties shall be required to be present and to produce any books or documents respecting the matter in dispute. The arbitrators shall hear the parties, receive such evidence as they may deem necessary, make their award and fix the costs of the arbitration within thirty (30) days from the date of the first sitting or such other period as the parties may agree upon. They shall forward their award in writing to the President, Regulatory Division who shall give notice thereof to all the parties concerned.

Article 5.3 Notice to MX Self-Regulatory Oversight Committee of Legal Proceedings

Submission to arbitration in accordance with this Part shall be a condition precedent to any legal proceedings between Approved Participants with reference to a Bourse Contract Following an arbitration, an Approved Participant must notify the MX Self-Regulatory Oversight Committee prior to commencing a legal proceeding against another Approved Participant with reference to such a dispute.

[...]

Article 5.6 Costs

The arbitrators may require that prior to an arbitration hearing the parties deposit with the President, Regulatory Division such sum as an advance on the costs for which the parties or either of them may be adjudged liable.

[...]

Appendix 6D—Policy C-1: Exemption Request from a Position Limit

Appendix 6D-1 REQUEST

[...]

- (f) The Approved Participant or the client may file an application with the President, Regulatory Division, or his or her designee, to obtain an extension of the exemption request filing period. This application shall be filed before the Approved Participant or the client fails to file an exemption request within the prescribed time.

The time extension granted by the President, Regulatory Division, or his or her designee, to file a request for exemption shall not exceed five (5) business days after the day on which the position limit is reached.

[...]

Appendix 6D-2 PROCESSING REQUESTS FOR EXEMPTION FROM POSITION LIMITS

[...]

- (b) Only the President, Regulatory Division, or his or her designee, may decide to accept or refuse a request for exemption from a position limit.

The designee of the President, Regulatory Division shall come from the Regulatory Division. Before making a decision, the President, Regulatory Division, or his or her designee, shall submit each exemption request to the internal consultation committee.

[...]

Appendix 6D-3 CONSIDERED FACTORS IN ASSESSING AN EXEMPTION REQUEST FROM A POSITION LIMIT

- (a) The following factors shall be considered by the President, Regulatory Division, or his or her designee, when assessing an exemption request from a position limit:

[...]

- (vi) any other factor deemed relevant by the President, Regulatory Division or his or her designee.
- (b) The President, Regulatory Division, or his or her designee, may at any time require additional information from an Approved Participant or a client.

Appendix 6D-4 COMMUNICATION AND EFFECTS OF THE DECISION

- (a) The decision of the President, Regulatory Division, or of his or her designee, shall be communicated to the applicant as soon as possible, followed by written confirmation. When the exemption request is approved, the written confirmation shall set forth the terms and restrictions of the exemption.

[...]

- (c) Where the President, Regulatory Division, or his or her designee, refuses an exemption request, the applicant shall have a reasonable time to liquidate, in an orderly fashion the positions that are in excess of the prescribed limit.
- (d) Where the President, Regulatory Division, or his or her designee, refuses an exemption request from a client and the positions in excess of the prescribed limit are not liquidated in a reasonable time, the President, Regulatory Division may order each Approved Participant with whom the client carries a position to reduce such position proportionately.
- (e) All exemptions from position limits are temporary.

The duration of an exemption is determined by the President, Regulatory Division, or his or her designee, and shall not exceed three (3) months from the filing of the request.

- (f) The President, Regulatory Division, or his or her designee, may review, amend or terminate an exemption.

Appendix 6D-5 RENEWING, AMENDING, REVOKING OR INCREASING AN EXEMPTION

[...]

- (c) An Approved Participant or a client wishing to renew an exemption from a position limit must file a request for exemption with the President, Regulatory Division. The exemption request shall be filed not later than ten (10) business days before the expiration date of the exemption.

[...]

Article 6.500 Reports of Accumulated Positions

[...]

- (j) In addition to the reports required under the provisions of the present Article, each Approved Participant must report immediately to the President, Regulatory Division any situation in which the Approved Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse.

[...]

Article 7.2 Acts Inconsistent with Just and Equitable Principles of Trade

[...]

- (c) The Disciplinary Committee or the MX Self-Regulatory Oversight Committee shall decide whether an act, conduct, practice or proceeding is of the type within the scope of this Article.

[...]

PART 9 - CLEARING AND FINANCIAL INTEGRITY

[...]

Article 9.3 Suspension of Trading and Cancellation of Orders

- (a) A Clearing Approved Participant must notify the President, Regulatory Division and the Market Operations Department, telephonically and by electronic mail immediately upon suspending or terminating its clearing relationship with an Approved Participant.
- (b) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been suspended, has had its membership terminated or become non-conforming as defined under Clearing Corporation rules, the President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by the

non-conforming Clearing Approved Participant for itself or for the Approved Participants, and in respect of the particular Listed Products that the Clearing Approved Participant clears.

- (c) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been deemed as restricted clearing member during the overnight clearing cycle as defined under Clearing Corporation rules and manuals, the President, Regulatory Division, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by such Clearing Approved Participant for itself and/or for any Approved Participants that clear their transactions through such Clearing Approved Participant.
- (d) Upon being notified by a Clearing Approved Participant as provided in paragraph (a) that it has suspended or terminated its clearing relationship with an Approved Participant, the President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by or for the non-conforming Approved Participant in respect of the particular Listed Products cleared by the notifying Clearing Approved Participant.
- (e) The President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department to reinstate access to the Trading System:

[...]

- (f) The President, Regulatory Division, may make the decisions under this Article acting in his or her sole discretion. However, nothing in this Article precludes the President, Regulatory Division from consulting any other official of the Bourse in making the decisions under this Article or in submitting such decisions to the MX Self-Regulatory Oversight Committee for a determination.

[...]

Article 1.101 Definitions

The meanings of terms, and the corresponding term in French, are as follows:

[...]

Market Integrity Rules (Règles d'Intégrité du Marché) means all Rules relating to market integrity, including, without limitation:

(a) the rules relating to the establishment of the Regulatory Division and its functions, oversight and administrative structure;

(b) the standards concerning the integrity, competencies and admission requirements for Approved Participants; and

(c) the rules governing the conduct of Approved Participants.

[...]

MX Self-Regulatory Oversight Committee (Comité de Surveillance en matière d'Autoréglementation de la MX) means the MX Self-Regulatory Oversight Committee of the Regulatory Division appointed by the Board of Directors, to perform those functions and to exercise those powers provided in its charter.

[...]

Public Interest Mandate (Mandat d'Intérêt Public) means the public interest mandate of the Bourse established under Section 26 of the Derivatives Act.

[...]

Recognition Order (Décision de Reconnaissance) means the order No. 2023-PDG-0012 from the Autorité des marchés financiers recognizing the Bourse as an exchange and as a self-regulatory organization, dated April 4, 2023 (as may be modified from time to time).

[...]

Article 1.104 Delegation

(a) Unless otherwise specified and subject to compliance with any applicable law (including any order or requirement of a Securities Regulator), the following individuals may delegate the powers and obligations granted to them under these Rules to an employee of the Bourse:

[...]

(ii) the President, Regulatory Division; and

[...]

(b) For greater clarity:

[...]

- (ii) The powers and obligations of the President, Regulatory Division may be delegated only to an employee of the Bourse who is a member of the Regulatory Division.

[...]

PART 2 - GOVERNANCE

Chapter A — Board of Directors

Article 2.0 Exercise of Power of the Bourse

Whenever the Bourse is specified as having any powers, rights, discretion or is entitled to take any action, then such powers may be exercised on behalf of the Bourse by the Board of Directors, its designated officers or by any committee or Person designated by the Board of Directors or the President of the Bourse, unless the subject matter or context otherwise requires.

Chapter B — Regulatory Division

Article 2.100 Creation of the Regulatory Division

The Regulatory Division is created by the Board of Directors with the aim of ensuring that the regulatory functions of the Bourse are carried out efficiently and fairly. To this end, the supervision of the regulatory functions and operations of the Bourse are entrusted to the Regulatory Division, which shall operate as a distinct business unit separate from the other activities of the Bourse. The Regulatory Division shall be not-for-profit and financially self-sufficient.

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Article 2.101 Functions of the Regulatory Division

The Regulatory Division carries on its functions in the following fields of activity:

- (a) Market analysis, including but not limited to:
 - (i) review and analysis of the Transactions executed on the market of the Bourse to determine whether the applicable Regulations of the Bourse are being complied with;
 - (ii) review and analysis of position reports filed on a regular basis with the Regulatory Division by the Approved Participants;
 - (iii) monitoring of insider trading activities on the market of the Bourse; and
 - (iv) analysis and processing of exemption requests filed by Approved Participants with the Regulatory Division.
- (b) Examinations of Approved Participants' Derivative Instruments trading desks, including but not limited to:

- (i) verification of compliance of the trading practices of Approved Participants and their Approved Persons with the Regulations of the Bourse; and
 - (ii) issuance of reports of any deficiency identified in the course of an examination.
- (c) Investigations, including but not limited to:
- (i) investigation of possible violations of the Regulations of the Bourse by an Approved Participant or an Approved Person; and
 - (ii) referring of any conclusive investigation to the person of the Regulatory Division designated as being responsible for enforcement and disciplinary matters.
- (d) Enforcement and discipline, including but not limited to, initiation of disciplinary procedures against an Approved Participant or Approved Person.
- (e) Development of regulatory proposals and issuance of circulars, including, but not limited to:
- (i) development of regulatory proposals that seek to amend the Regulations of the Bourse; and
 - (ii) preparation of regulatory circulars published on a regular basis by the Bourse.
- (f) Registration, including, but not limited to:
- (i) processing of applications for admission as an Approved Participant;
 - (ii) processing of applications as Approved Persons;
 - (iii) processing of files relating to corporate changes affecting Approved Participants, such as changes in control, acquisitions of Major Positions in an Approved Participant's capital and reorganization.

Article 2.102 Administrative Structure of the Regulatory Division

- (a) The Regulatory Division shall be managed by the President, Regulatory Division, who, except for matters within the purview of the MX Self-Regulatory Oversight Committee or the Board of Directors, shall have the authority to make all decisions relating to the Regulatory Division.
- (b) The President, Regulatory Division and all other managers of the Regulatory Division shall reside in Québec.
- (c) The President, Regulatory Division shall report to the MX Self-Regulatory Oversight Committee in regard to all regulatory and disciplinary matters and the President, Regulatory Division or such Person's designee shall attend the meetings of the MX Self-Regulatory Oversight Committee.
- (d) With regard to day-to-day administrative matters, the President, Regulatory Division shall report to the Person designated by the Bourse for that purpose.
- (e) The financial structure of the Regulatory Division shall be separate from that of the other activities of the Bourse and will operate on a cost recovery basis. Any surplus, other than fines and other amounts specified in paragraph (f), will be redistributed to Approved Participants, and any shortfall shall be made up by a special assessment from Approved Participants or by the Bourse upon recommendation to the Board of Directors by the MX Self-Regulatory Oversight Committee.
- (f) Fines and other amounts collected by the Regulatory Division pursuant to settlement offers concluded with the Regulatory Division or disciplinary procedures must be treated as follows:
 - (i) no amounts shall be redistributed to Approved Participants;
 - (ii) a separate accounting shall be maintained of revenues and expenses related to disciplinary files;
 - (iii) any amount collected shall first be used to cover the direct costs incurred in connection with such proceedings;
 - (iv) any net excess shall be used, with the approval of the MX Self-Regulatory Oversight Committee, for any of the following purposes:
 - (1) the education or information of Derivative Instruments market participants and of the public in general or for the costs of research in that field;
 - (2) payments to a not for profit and tax-exempt organization whose main mission is to protect investors or carry on the activities mentioned in subparagraph (iv)(1);
 - (3) educational projects; or

- (4) other purposes approved by the Autorité des marchés financiers.
- (g) The Regulatory Division may provide regulatory services to other exchanges, self-regulatory organizations, trading systems or other Persons.
- (h) The Regulatory Division may subcontract some of its work to other exchanges, self-regulatory organizations or other Persons.

Chapter C — MX Self-Regulatory Oversight Committee of the Regulatory Division

Article 2.200 MX Self-Regulatory Oversight Committee

The MX Self-Regulatory Oversight Committee shall be appointed by the Board of Directors to perform those functions and to exercise those powers provided in its charter. Its rules of procedure shall be the rules of procedure of the Board of Directors, subject to such changes as may be necessary to adapt them to the circumstances.

Chapter D — Advisory Committee on Self-Regulation

Article 2.300 Advisory Committee on Self-Regulation

The Advisory Committee on Self-Regulation shall be appointed by the MX Self-Regulatory Oversight Committee to perform those functions and to exercise those powers provided in this Chapter.

Article 2.301 Composition of the Advisory Committee on Self-Regulation

- (a) The Advisory Committee on Self-Regulation shall consist :
 - (i) of at least 50% of Persons who are Québec residents at the time of their appointment and for the duration of their term;
 - (ii) entirely of Persons who satisfy the independence criteria set out in the Recognition Order(except for Persons representing an Approved Participant of the Bourse as provided for in paragraph vi. below);
 - (iii) entirely of Persons who have expertise in derivatives;
 - (iv) of at least two-thirds of Persons who have legal expertise in compliance or in self-regulation in securities or derivatives;
 - (v) of at least one Person who represents a permitted client (as defined in Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (“Regulation 31-103”)) of an Approved Participant ;
 - (vi) of at least one Person who represents an Approved Participant ; and
 - (vii) of at least one Person who represents the interests of clients of Approved Participants other than permitted clients (as defined in Regulation 31-103) .

Article 2.302 Quorum

The quorum at meetings shall be constituted of a majority of members in office of the Advisory Committee on Self-Regulation attending in Person, by telephone or by videoconference and at least 50% of members so attending must be Québec residents within the meaning of the Recognition Order and must satisfy the independence criteria set out in the Recognition Order.

Article 2.303 Responsibilities of the Advisory Committee on Self-Regulation

The Advisory Committee on Self-Regulation shall formulate recommendations to the Regulatory Division about draft Market Integrity Rules and amendments to Market Integrity Rules to help the Bourse perform its Public Interest Mandate.

PART 3 - APPROVED PARTICIPANTS AND APPROVED PERSONS

Chapter A — Admission Criteria and Process for Approved Participants

Article 3.0 Admission

- (a) Each Approved Participant must be approved as such by the MX Self-Regulatory Oversight Committee at the time of admission, and must thereafter comply with the conditions required to remain an Approved Participant as set forth in the Regulations of the Bourse. Approved Participants may be Partnerships (referred to as “Partnership Approved Participants”) or corporations (referred to as “Corporate Approved Participants”);

[...]

Article 3.2 Admission Criteria for Approved Participants

No one may be admitted as an Approved Participant unless:

[...]

- (e) Major Position. At the time of approval and on a continuing basis thereafter:

[...]

- (ii) approval of the MX Self-Regulatory Oversight Committee must be obtained prior to any Person taking a Major Position in an Approved Participant which results in a change of control of the Approved Participant which is likely materially to affect its operations.

[...]

Article 3.1907 Decision of the MX Self-Regulatory Oversight Committee

- (a) In considering whether it should approve an application for admission as an Approved Participant, the MX Self-Regulatory Oversight Committee may require whatever information it deems appropriate. It may, in its discretion, require the applicant to appear before it. However,

before rendering a decision that unfavourably affects the applicant, the MX Self-Regulatory Oversight Committee must give the applicant an opportunity to be heard.

- (b) If the MX Self-Regulatory Oversight Committee rejects an application for admission as an Approved Participant, at least six (6) months must elapse before the applicant may again submit an application; *provided however*, if presented with a new fact during this six (6) month period, the MX Self-Regulatory Oversight Committee may review its decision and the provisions of paragraph (a) shall apply, *mutatis mutandis*, to the decision to review the application for admission and the review process itself.

[...]

Chapter D — Suspension, Revocation, Termination and Resignation of Approved Participants and Others

Article 3.300 Process for Resignation

- (a) No Approved Participant may resign without the prior approval of the MX Self-Regulatory Oversight Committee, which may be withheld until the MX Self-Regulatory Oversight Committee determines that it is satisfied that the Approved Participant will fully comply with any investigation or proceedings that are ongoing or may arise following the Approved Participant's resignation. In making that determination, the MX Self-Regulatory Oversight Committee shall take into account anything that it deems relevant, which may include an assessment of the likelihood that the Approved Participant will maintain its existence and financial resources following its resignation. To satisfy itself as to the foregoing, the MX Self-Regulatory Oversight Committee may condition its acceptance of the resignation on the provision of such things and undertakings as it sees fit, which may include undertakings to maintain the Approved Participant's existence or financial guarantees from any Person with control over the Approved Participant.
- (b) An Approved Participant wishing to resign must file with the President, Regulatory Division a written application signed by a partner, a director or an Officer of the Approved Participant to obtain the MX Self-Regulatory Oversight Committee's approval of the resignation. This application must be accompanied, as the case may be, with the payment of fees that may be requested by the Bourse in such a case.
- (c) An Approved Participant who tenders its resignation, must, in its application, state its reasons for resigning and must file with the President, Regulatory Division all financial or other information deemed relevant by the President, Regulatory Division, or required by the MX Self-Regulatory Oversight Committee.
- (d) An Approved Participant who has tendered its resignation shall cease to be an Approved Participant on the date of its resignation approval by the MX Self-Regulatory Oversight Committee or on any other date designated by the MX Self-Regulatory Oversight Committee.

[...]

Article 3.302 Suspension and Revocation

- (a) An Approved Participant that no longer complies with the conditions to be an Approved Participant set forth in the Regulations of the Bourse may be suspended or have its Bourse

Approval revoked by the MX Self-Regulatory Oversight Committee on the recommendation of the President, Regulatory Division.

[...]

Article 3.406 Suspension or Revocation Of Approval

- (a) If an Approved Person no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, such Approved Person may be suspended or its Bourse Approval may be revoked by the MX Self-Regulatory Oversight Committee or the Person or Persons authorized to give such Bourse Approval.
- (b) In the event of a suspension or revocation of Bourse Approval of an Approved Person pursuant to this Article or pursuant to Article 4.400, unless otherwise ordered by the President, Regulatory Division, the Approved Participant, the affiliated corporation or subsidiary of the Approved Participant employing this Person must immediately discontinue such Approved Person's employment, and thereafter this Person may not be employed in the same capacity by any Approved Participant, any affiliated corporation or subsidiary of an Approved Participant without permission of the President, Regulatory Division, which may be revoked at any time.

[...]

Article 4.104 Special examinations and investigations

Without limiting the powers conferred upon the Regulatory Division under this Part, the MX Self-Regulatory Oversight Committee or the President, Regulatory Division may in their absolute discretion, at any time, direct a special examination or investigation in respect of any matter coming under the Regulatory Division's jurisdiction, including without limitation the conduct, the business or affairs of any Regulated Person.

[...]

Article 4.210 General Principles

[...]

- (b) A settlement agreement must be in writing, in the form prescribed by the Regulatory Division, signed by the Parties, and contain the following:

[...]

- (viii) a statement that the settlement must be accepted by the Disciplinary Committee or the President, Regulatory Division, as the case may be, failing which it shall not bind the Parties involved and the Bourse shall proceed with the hearing of the matter;

[...]

Article 4.211 Submission of Settlement Agreements

[...]

(b) Notwithstanding the foregoing, a settlement agreement may be accepted by the President, Regulatory Division, without a hearing, if the sanction to be imposed is a reprimand, the sanction provided in subparagraph 4.400 (a) (x), a fine not exceeding \$5,000 in the aggregate, or a combination of the three.

(c) If a settlement agreement is accepted under this Article 4.211:

[...]

(iv) the Disciplinary Committee or the President, Regulatory Division (as the case may be) must give written reasons supporting the decision; and

[...]

Chapter G — Disciplinary Committee

Article 4.600 Composition of Disciplinary Committee

(a) To be eligible to sit on a Disciplinary Committee, an individual must have been approved by the MX Self-Regulatory Oversight Committee. The Secretary shall maintain a list of such individuals. An individual's name shall be deleted from that list upon the instructions of either the individual or the MX Self-Regulatory Oversight Committee.

[...]

Article 4.601 Secretary

(a) The MX Self-Regulatory Oversight Committee shall appoint the Secretary and may appoint any number of assistant secretaries. An assistant secretary may perform any function of the Secretary if the latter is unable or unwilling to do so. The Secretary and each assistant secretary shall remain in office until their resignation, removal or death.

(b) The Secretary:

[...]

- (vi) receives and processes applications for appeal to the MX Self-Regulatory Oversight Committee under Article 4.900; and
- (vii) performs any other duties assigned to the Secretary in these Rules or otherwise determined by a Disciplinary Committee or the MX Self-Regulatory Oversight Committee.

Article 4.602 Conflict of interest

(a) An individual is ineligible to act as a Member if the individual:

- (i) is or has been, in the three years preceding the date of the relevant Notice of Proceedings, a director, officer or partner of either the Bourse or of the Respondent (if the Respondent is not an individual), or any of their affiliated corporations or entities;
- (ii) has an Immediate Family Member who is or has been, in the three years preceding the date of the relevant Notice of Proceedings, a director, officer or partner of either the Bourse or any of its affiliated corporations or subsidiaries, or of a Respondent (if the Respondent is not an individual) or any of its affiliated corporations or subsidiaries;

- (iii) receives a consulting, advisory or other compensatory fee from the Bourse or any Respondent, other than as remuneration as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, or the receipt of fixed amounts of deferred compensation for prior service with the Bourse or the Respondent that is not contingent on continued service;
 - (iv) is, with respect to any Respondent or any employee of the Regulatory Division, in one of the situations described at Articles 202 or 203 of the Code of Civil Procedure (with the necessary modifications); or
 - (v) has or had another relationship to a Party, or is in any other situation, that may create a reasonable apprehension of bias.
- (b) An individual who is selected for a Disciplinary Committee despite knowing that they are in one of the aforementioned situations shall decline the selection, advising the Secretary of the reasons therefor. A Member who enters, or learns that he is in, one of the aforementioned situations after accepting to sit on a Disciplinary Committee shall immediately notify the Secretary, who shall in turn notify the MX Self-Regulatory Oversight Committee. The Secretary shall also immediately notify the MX Self-Regulatory Oversight Committee if he or she is advised by any other Person that a Member is in one of the aforementioned situations.
 - (c) The MX Self-Regulatory Oversight Committee shall promptly consider the matter and determine whether to remove the Member (in which case it shall proceed as described in accordance with Article 4.603).

[...]

Chapter H — Minor violations

Article 4.700 Fine for Minor Violation

- (a) The President, Regulatory Division may, in accordance with the procedure provided in Articles 4.702 and following, for any violation appearing in the List of Fines for Minor Violations published on the website of the Bourse, impose a predetermined fine that cannot exceed \$5,000 per violation, against an Approved Participant or an Approved Person. The violations included in the List of Fines for Minor Violations are:

[...]

- (b) The President, Regulatory Division may impose a fine for any violation included in the List of Fines for Minor Violations against a former Approved Participant or former Approved Person, on the condition that a notice of minor violation is served within the delay provided in article 4.2 (c).
- (c) Notwithstanding the possibility of imposing a fine for a minor violation included in the List of Fines for Minor Violations in accordance with paragraphs a) and b), the President, Regulatory Division, may, at his discretion, choose to file a complaint in accordance with the procedure provided under Chapter C, Part 4 of the Rules.

Article 4.701 Notice of Minor Violation

- (a) Before imposing a fine, the President, Regulatory Division shall serve a notice of a minor violation to the Approved Participant or the Approved Person.
- (b) The notice of minor violation shall:

[...]

- (ii) Be signed by the President, Regulatory Division;

[...]

Article 4.702 Observations or Contestation

- (a) Once a notice of minor violation has been served, the Approved Participant or the Approved Person may, within 20 Business Days:
 - (i) Submit observations in writing to the President, Regulatory Division. These observations must admit or deny the facts; or
 - (ii) Contest the notice of minor violation by notifying the President, Regulatory Division of their desire for the matter to be heard by a Disciplinary Committee in accordance with Chapter G, which notice must be accompanied by a reply as described in Article 4.203. In this instance, the notice of minor violation is deemed a complaint under Article 4.200.

[...]

Article 4.703 Notice of Fine for Minor Violation

- (a) Upon expiry of the deadline provided for in Article 4.702, and after having considered the observations of the Approved Participant or the Approved Person, if any, the President, Regulatory Division may impose the fine prescribed in List of Fines for Minor Violations on this Approved Participant or this Approved Person by serving a notice of a fine for violation or decide not to impose a fine for minor violation. In this case, a notice advising of the closing of the matter will be sent to the Approved Participant or the Approved Person.

[...]

Chapter I — Summary Proceedings

Article 4.800 Grounds for Summary Proceedings

- (a) Where the President, Regulatory Division determines that the methods or practices adopted by an Approved Participant or Approved Person are detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public, the Bourse shall serve a notice of hearing on the Respondent in accordance with Article 4.802. Such methods or practices may include, without limitation:

[...]

- (b) The President, Regulatory Division may, pending the hearing, recommend to the MX Self-Regulatory Oversight Committee that it take action by way of summary proceedings in accordance with this Chapter.
- (c) The President, Regulatory Division may also recommend to the MX Self-Regulatory Oversight Committee that it take action by way of summary proceedings in accordance with this Chapter if:

[...]

Article 4.801 Summary Actions

- (a) Notwithstanding anything to the contrary contained in any other provision of the Regulations of the Bourse, in any of the circumstances described at subparagraph 4.800 (a), the MX Self-Regulatory Oversight Committee may impose without any notice, hearing or formality whatsoever, one or more of the following orders:
- (i) the suspension of an Approved Participant or Approved Person, which may be limited to a suspension of specific rights and privileges, for a period and upon any terms and conditions determined by the MX Self-Regulatory Oversight Committee;

[...]

- (b) All orders imposed by the MX Self-Regulatory Oversight Committee under subparagraph (a) are interim orders that take effect immediately upon delivery of the notification to the Approved Participant or Approved Person and remain in force until a hearing is held, at which time any such order may be confirmed, set aside or modified.
- (c) In any of the circumstances described at paragraph 4.800 (c), the MX Self-Regulatory Oversight Committee may, without any notice, hearing or formality whatsoever:
- (i) declare an Approved Participant or Approved Person a Defaulter, upon which the Approved Participant or the Approved Person shall automatically be suspended; and
 - (ii) within 10 Business Days after being declared a Defaulter, or such other period as the MX Self-Regulatory Oversight Committee may decide, suspend or revoke the Bourse Approval of an Approved Participant or Approved Person if the cause of such default is not remedied to the satisfaction of the MX Self-Regulatory Oversight Committee.
- (d) No Approved Participant shall allow a Person declared as a Defaulter to conduct any trading activities on the Bourse without the written consent of the MX Self-Regulatory Oversight Committee.

Article 4.802 Summary Proceedings Hearing

[...]

- (c) Upon consideration of the grounds for proceedings invoked under Article 4.800, the Disciplinary Committee may render a decision to:
- (i) set aside or modify an interim order imposed by the MX Self-Regulatory Oversight Committee under Article 4.801 (b);

[...]

Chapter J — Appeal before the MX Self-Regulatory Oversight Committee

Article 4.900 Jurisdiction of the MX Self-Regulatory Oversight Committee

An appeal from a decision of the Regulatory Division (other than of a Disciplinary Committee) may be brought before the MX Self-Regulatory Oversight Committee.

[...]

Article 4.903 Security for Costs

When the appeal appears abusive, dilatory, frivolous, or for some other special reason, the MX Self-Regulatory Oversight Committee may, upon request, order the appellant to furnish, within a prescribed period, Security to guarantee, in whole or in part, the payment of the costs of appeal, the amount of the fine and the costs and expenses listed in Article 4.106, if the appeal is dismissed. If the appellant does not furnish Security within the prescribed period, the MX Self-Regulatory Oversight Committee may dismiss the appeal.

Article 4.904 Stay of Decision

Unless otherwise ordered by the MX Self-Regulatory Oversight Committee, an appeal suspends the execution of the decision of the Regulatory Division provided however, suspension of the rights of an Approved Participant or Approved Person, prohibition to obtain Bourse Approval, expulsion of an Approved Participant and revocation of Bourse Approval is executory, notwithstanding appeal, unless otherwise ordered by the MX Self-Regulatory Oversight Committee.

Article 4.905 Basis of the Appeal

The appeal is argued on the basis of the file, provided however that, in exceptional circumstances and if justice so requires, the MX Self-Regulatory Oversight Committee may authorize the presentation of additional evidence.

Article 4.906 Applicable Procedures

Subject to the provisions in this Chapter, the procedures applicable to a hearing before a Disciplinary Committee shall apply to any hearing before the MX Self-Regulatory Oversight Committee, with the necessary modifications.

Article 4.907 Disqualification

A member of the MX Self-Regulatory Oversight Committee who has any grounds for recusal pursuant to Article 4.602 (other than those set forth in subparagraph 4.602 (a) (ii)) is not eligible to sit in appeal from a decision.

Article 4.908 Review Under the Derivatives Act

A Party may submit a decision of the MX Self-Regulatory Oversight Committee for review in accordance with the Derivatives Act (Quebec), except for an order imposed under Article 4.801.

PART 5 - DISPUTES

[...]

Article 5.1 Appointment of Arbitrators

The procedure for the appointment of the arbitrators shall be as follows. The Approved Participant believing himself to be the injured party shall deliver to the President, Regulatory Division a written memorandum in triplicate, stating in a summary way the matter in dispute and the redress he claims and appointing an arbitrator. The President, Regulatory Division shall forward one (1) copy of such memorandum to the opposite party, who shall, within seven (7) business days after receipt thereof, file with the President, Regulatory Division a written memorandum in triplicate containing his statement of the matter in dispute and appointing an arbitrator. The President, Regulatory Division shall forward

one (1) copy thereof to the opposite party and copies of both memoranda to the arbitrators so appointed, and the latter shall proceed within forty-eight (48) hours after receipt of the memoranda to appoint a third arbitrator. If a party fails to appoint an arbitrator, the President, Regulatory Division shall appoint one for him, and in the event of the two arbitrators already appointed failing to appoint the third arbitrator within the time set above, he shall be appointed by the President, Regulatory Division.

Article 5.2 Arbitration Hearing

The three arbitrators so appointed must promptly give written notice to the parties of the date, time and place of their first meeting, which shall be held within seven (7) days after the appointment of the third arbitrator and at which the parties shall be required to be present and to produce any books or documents respecting the matter in dispute. The arbitrators shall hear the parties, receive such evidence as they may deem necessary, make their award and fix the costs of the arbitration within thirty (30) days from the date of the first sitting or such other period as the parties may agree upon. They shall forward their award in writing to the President, Regulatory Division who shall give notice thereof to all the parties concerned.

Article 5.3 Notice to MX Self-Regulatory Oversight Committee of Legal Proceedings

Submission to arbitration in accordance with this Part shall be a condition precedent to any legal proceedings between Approved Participants with reference to a Bourse Contract Following an arbitration, an Approved Participant must notify the MX Self-Regulatory Oversight Committee prior to commencing a legal proceeding against another Approved Participant with reference to such a dispute.

[...]

Article 5.6 Costs

The arbitrators may require that prior to an arbitration hearing the parties deposit with the President, Regulatory Division such sum as an advance on the costs for which the parties or either of them may be adjudged liable.

[...]

Appendix 6D—Policy C-1: Exemption Request from a Position Limit

Appendix 6D-1 REQUEST

[...]

- (f) The Approved Participant or the client may file an application with the President, Regulatory Division, or his or her designee, to obtain an extension of the exemption request filing period. This application shall be filed before the Approved Participant or the client fails to file an exemption request within the prescribed time.

The time extension granted by the President, Regulatory Division, or his or her designee, to file a request for exemption shall not exceed five (5) business days after the day on which the position limit is reached.

[...]

Appendix 6D-2 PROCESSING REQUESTS FOR EXEMPTION FROM POSITION LIMITS

[...]

- (b) Only the President, Regulatory Division, or his or her designee, may decide to accept or refuse a request for exemption from a position limit.

The designee of the President, Regulatory Division shall come from the Regulatory Division. Before making a decision, the President, Regulatory Division, or his or her designee, shall submit each exemption request to the internal consultation committee.

[...]

Appendix 6D-3 CONSIDERED FACTORS IN ASSESSING AN EXEMPTION REQUEST FROM A POSITION LIMIT

- (a) The following factors shall be considered by the President, Regulatory Division, or his or her designee, when assessing an exemption request from a position limit:

[...]

- (vi) any other factor deemed relevant by the President, Regulatory Division or his or her designee.
- (b) The President, Regulatory Division, or his or her designee, may at any time require additional information from an Approved Participant or a client.

Appendix 6D-4 COMMUNICATION AND EFFECTS OF THE DECISION

- (a) The decision of the President, Regulatory Division, or of his or her designee, shall be communicated to the applicant as soon as possible, followed by written confirmation. When the exemption request is approved, the written confirmation shall set forth the terms and restrictions of the exemption.

[...]

- (c) Where the President, Regulatory Division, or his or her designee, refuses an exemption request, the applicant shall have a reasonable time to liquidate, in an orderly fashion the positions that are in excess of the prescribed limit.
- (d) Where the President, Regulatory Division, or his or her designee, refuses an exemption request from a client and the positions in excess of the prescribed limit are not liquidated in a reasonable time, the President, Regulatory Division may order each Approved Participant with whom the client carries a position to reduce such position proportionately.
- (e) All exemptions from position limits are temporary.

The duration of an exemption is determined by the President, Regulatory Division, or his or her designee, and shall not exceed three (3) months from the filing of the request.

- (f) The President, Regulatory Division, or his or her designee, may review, amend or terminate an exemption.

Appendix 6D-5 RENEWING, AMENDING, REVOKING OR INCREASING AN EXEMPTION

[...]

- (c) An Approved Participant or a client wishing to renew an exemption from a position limit must file a request for exemption with the President, Regulatory Division. The exemption request shall be filed not later than ten (10) business days before the expiration date of the exemption.

[...]

Article 6.500 Reports of Accumulated Positions

[...]

- (j) In addition to the reports required under the provisions of the present Article, each Approved Participant must report immediately to the President, Regulatory Division any situation in which the Approved Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse.

[...]

Article 7.2 Acts Inconsistent with Just and Equitable Principles of Trade

[...]

- (c) The Disciplinary Committee or the MX Self-Regulatory Oversight Committee shall decide whether an act, conduct, practice or proceeding is of the type within the scope of this Article.

[...]

PART 9 - CLEARING AND FINANCIAL INTEGRITY

[...]

Article 9.3 Suspension of Trading and Cancellation of Orders

- (a) A Clearing Approved Participant must notify the President, Regulatory Division and the Market Operations Department, telephonically and by electronic mail immediately upon suspending or terminating its clearing relationship with an Approved Participant.
- (b) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been suspended, has had its membership terminated or become non-conforming as defined under Clearing Corporation rules, the President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by the

non-conforming Clearing Approved Participant for itself or for the Approved Participants, and in respect of the particular Listed Products that the Clearing Approved Participant clears.

- (c) Upon being notified by the President or Chief Risk Officer of the Clearing Corporation that a Clearing Approved Participant has been deemed as restricted clearing member during the overnight clearing cycle as defined under Clearing Corporation rules and manuals, the President, Regulatory Division, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by such Clearing Approved Participant for itself and/or for any Approved Participants that clear their transactions through such Clearing Approved Participant.
- (d) Upon being notified by a Clearing Approved Participant as provided in paragraph (a) that it has suspended or terminated its clearing relationship with an Approved Participant, the President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department immediately to suspend access to, and/or cancel any orders resting in, the Trading System by or for the non-conforming Approved Participant in respect of the particular Listed Products cleared by the notifying Clearing Approved Participant.
- (e) The President, Regulatory Division, acting solely in his or her discretion, may instruct the Market Operations Department to reinstate access to the Trading System:

[...]

- (f) The President, Regulatory Division, may make the decisions under this Article acting in his or her sole discretion. However, nothing in this Article precludes the President, Regulatory Division from consulting any other official of the Bourse in making the decisions under this Article or in submitting such decisions to the MX Self-Regulatory Oversight Committee for a determination.

[...]