



CIRCULAR 068-25

May 29, 2025

**CONSULTATION PAPER
REGULATORY FRAMEWORK APPLICABLE TO APPROVED PERSONS**

The Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) is soliciting feedback and comments on the regulatory framework governing Approved Persons under the Rules of the Bourse.

A consultation paper, setting out principles and questions to guide the discussions and comments, is annexed and can also be found on the Division’s website [here](#). The goal of this consultation is to gather information from stakeholders to assist the Division in its review of the current framework.

The Division intends to hold a workshop during the consultation period to engage stakeholders. More information on the date and time of this workshop will follow.

Comments should be submitted no later than July 31, 2025, via email to info.mxr@tmx.com, or by mail to:

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MONTREAL EXCHANGE

Regulatory Division - Consultation Paper

Regulatory framework applicable to Approved Persons

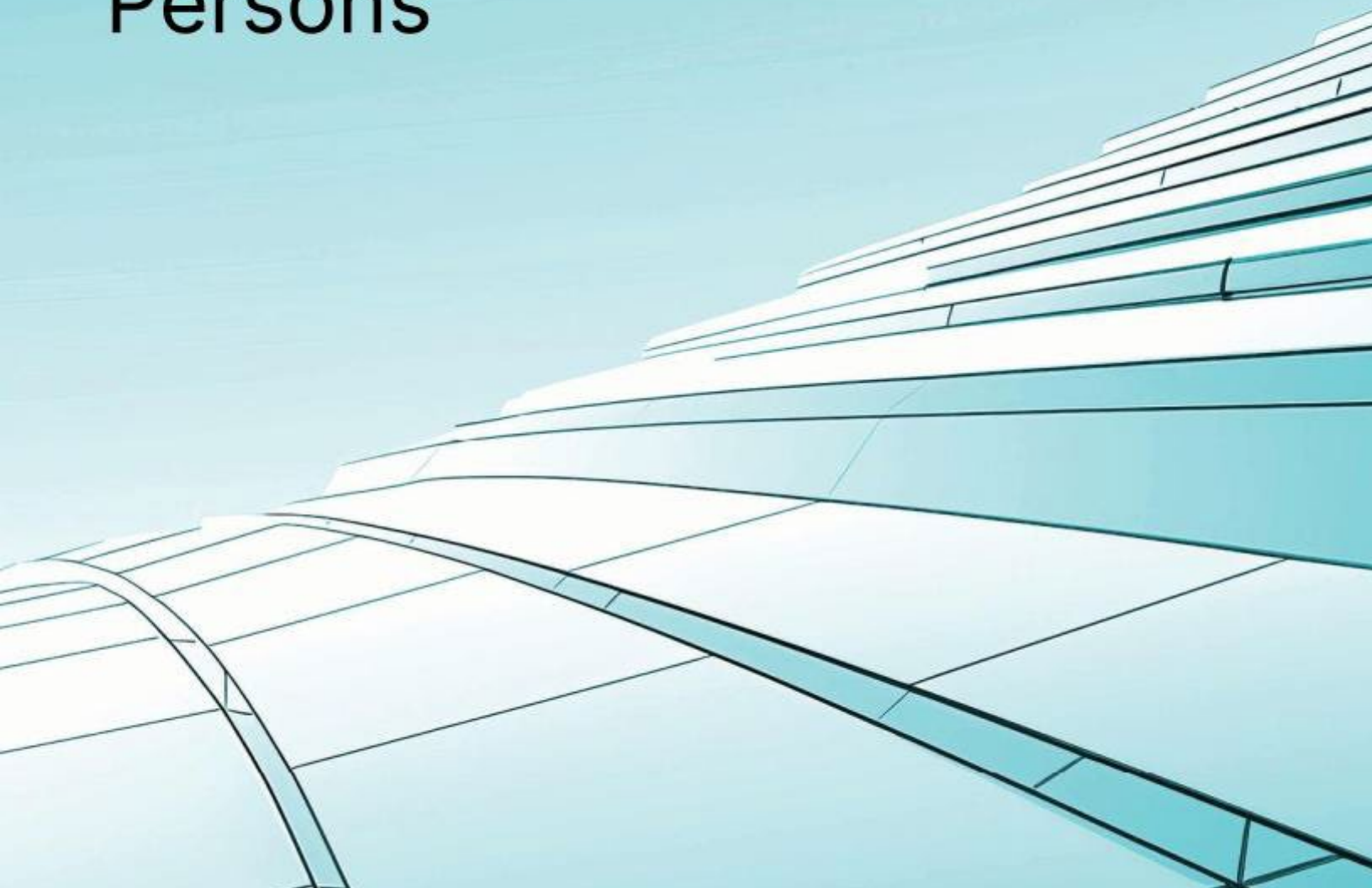


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PART 1 - INTRODUCTION

The Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) is mandated with exercising the self-regulatory functions of the Bourse. In line with the Division’s strategic guidelines of ensuring market integrity and credibility of the derivatives listed market and also promoting sound regulation, the Division is seeking feedback and comments regarding the current regulatory framework applicable to the Approved Persons under the Rules of the Bourse (the “Rules”).

The Division administers the registration for trading activities on the Bourse¹, which includes processing applications of individuals as Approved Persons in accordance with Article 3.400 of the Rules which sets the applicable criteria and process for approval. Under the current regulatory framework, an Approved Participant (“Participant”) must comply with obligations related to Approved Persons and ensure compliance with applicable requirements, primarily with respect to the access to the Electronic Trading System of the Bourse (the “ETS”) pursuant to Article 3.4 of the Rules.

With this consultation paper, the Division has set out guiding principles as the overarching themes framing this initiative, to guide discussions and comments from stakeholders.

Comments should be submitted in writing by July 31 2025 as specified hereafter.

PART 2 - BACKGROUND AND CONTEXT

Since 2005 the Bourse terminated its member regulation activities, which involved financial compliance and sales compliance, it also renounced its formerly delegated function and power to register representatives. As part of the regulation and supervision of trading activities on its market through the Division, only one category of approval for individuals remains: the approval of employees of a Participant or of an affiliate of a Participant (previously known as SAM Authorized Person, and now known as Approved Persons) to access the ETS.

In the past 20 years, the Bourse has expanded its global presence. It now operates as an international marketplace with Participants from various jurisdictions and offers extended trading hours. The Bourse’s trading environment has evolved to support its expansion by introducing new functionalities, different types of trading strategies and by diversifying its suite of products.

Likewise, market players are also adapting their business models, and will continue to do so, to remain relevant and keep pace with new technology, economical context and the regulatory landscape.

¹ Paragraph (f) of Article 2.101 of the Rules

Since 2008, the Rules governing the Approved Persons regime have been amended to reflect evolving circumstances. Guidelines and FAQs have also been updated to clarify rules and compliance expectations.

In order to have a resilient regime for individuals approved to access the Bourse on behalf of a Participant, this consultation will help the Division in its assessment of the current framework and identify opportunities.

PART 3 - CONSIDERATIONS FOR A NEW FRAMEWORK

The goals and objectives contemplated by the Division for a revised framework aim to:

Goals

1. Simplify the application process
2. Modernize the framework

Objectives

1. Focus on access to the Bourse's ETS and the Division's jurisdiction
2. Streamline the approval process by
 - a. removing potential duplications with registration requirements
 - b. placing emphasis on Participants' thorough due diligence
3. Harmonize the requirements with other access frameworks (ex: sponsored access clients), where it may be relevant

The Division seeks to implement a harmonized and robust regulatory framework which focuses on access eligibility on the Bourse and serves its regulatory functions, while simplifying the approval process. To guide the discussion and comments during this consultation phase, the Guiding Principles are defined as the overarching themes for a revised framework.

1. Who is required to be an Approved Person?

Guiding Principle: Ensuring the Division has jurisdiction over persons who have access to the ETS in the conduct of its regulatory functions.

Under the current framework, the individuals listed below are required to be Approved Persons:

- i. Employees of a Participant with access to the ETS to trade on behalf of the Participant or the Participant's clients;
- ii. Employees of an affiliate of the Participant with access to the ETS to trade on behalf of the Participant or the Participant's clients;
- iii. Any person who arranges specific pre-arranged transactions, such as: Block Trades, Riskless Basis Cross Trades and Riskless Transactions on Options.

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| Q1.1 | What are examples of challenges your firm encounters regarding the current Approved Person framework? |
| Q1.2 | Please describe the roles and functions of those at your firm who have access to the ETS? (ex. Traders, trading supervisors, risk managers) |
| Q1.3 | Please provide insights on your firm's current use of automated order systems ("AOS") to access the ETS (ex. involvement of Approved Persons in monitoring operation of AOS, supervision, technology programming or implementing strategies or algorithms, etc.) |
| Q1.4 | Further to Q 1.3, are there any additional considerations for algorithmic trading? If so, please explain. |
| Q1.5 | How does your firm currently manage the internal distribution of logon credentials to access the ETS? |

2. What are the eligibility requirements?

Guiding Principle: Ensuring that individuals accessing the ETS meet eligibility criteria.

To be eligible for approval as an Approved Person, the current criteria are:

- i. Must be at least 18 years of age;
- ii. Be considered in all respects to be a suitable Person; and
- iii. Completed the Bourse required training and passed the Bourse required exams: Options and/or Futures & Options on Futures.

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| Q 2.1 | What should the considerations be while reviewing the eligibility criteria? |
| Q 2.2 | What should be the structure, and content of the training course? (ex. Any specific topics or subjects that should be covered by the Bourse courses) |
| Q 2.3 | How does your firm currently assess an employee's experience and knowledge for trading on the Bourse before granting access? |

3. What is the due diligence to be performed by Participants?

Guiding Principle: The review, verification and validation steps of a Participant submitting the application for an Approved Person should be rigorous and complete.

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| Q 3.1 | What kind of background checks (financial, legal, educational, etc) does your firm conduct on applicants to be an Approved Person, and how if any? Please explain in detail. |
| Q 3.2 | What is your firm's process to validate the identity of an employee? |
| Q 3.3 | Does your firm currently have an annual regulatory and compliance assessment, of any kind, regarding its employees? If so, please explain. |

4. Participant's responsibility and Designated Representative

Guiding Principle: The Designated Representative is the person appointed as the representative of the Participant with full authority to act for and bind the Participant.

Upon submission of an application, either the Designated Representative or authorized signatories must countersign on behalf of the Participant.

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| Q 4.1 | Which individual(s) in your firm submit(s) applications to have an Approved Person approved by the Division currently? |
| Q 4.2 | How are authorized signatories nominated and how does the Designated Representative ensure oversight of the nominations? |

5. Notification obligations to the Division

Guiding Principle: Participants must notify the Division of any changes to information which are relevant to the regulatory activities of the Division.

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| Q 5.1 | How do Participants ensure information on Approved Persons is current and the Division is notified of all changes? |
| Q 5.2 | Does your firm have an annual process in place to ensure all Approved Persons continue to have the necessary integrity and competence to trade on the Bourse? Please provide more information on the annual review currently done by your firm. |

PART 4 - COMMENTS AND SUBMISSIONS

The Division welcomes general comments and feedback from all stakeholders in response to this consultation paper, and Participants are strongly encouraged to answer the specific questions listed in part 3 of this document. The information will be taken into consideration as the Division sets out a proposal for a revised regulatory framework applicable to Approved Persons under the Rules.

Comments must be submitted in writing by July 31 2025, at the latest, to:

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