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CIRCULAR
June 3, 2013

LARGE OPEN POSITION REPORTING (LOPR) REMINDERS

The purpose of this circular is to remind approved participants of Bourse de Montreal Inc. (the Bourse) of some requirements regarding LOPR data reporting accuracy.

According to article 14102 of the Rules of the Bourse (http://www.m-x.ca/f_regles_en/14_en.pdf), the obligation for accurately reporting open positions and account records rests upon each approved participant.

The Bourse requires that all LOPR filings be transmitted directly by each approved participant unless an exemption or delegation request has been formally approved by the Regulatory Division of the Bourse (the Division). As explained in circular 048-2010 issued by the Bourse on April 22, 2010 (http://www.m-x.ca/f_circulaires_en/048-10_en.pdf), it is each approved participant's responsibility to communicate and coordinate efforts internally or with their clearing broker(s) and/or with any broker carrying positions on their behalf to ensure that positions are not being reported twice (e.g. same positions being reported through a disclosed account and through an undisclosed omnibus account). Approved participants must therefore take all measures necessary to determine if positions they have identified as being reportable belong to another approved participant. In such a case, such positions should not be reported by the clearing or carrying broker but by the approved participant to whom these positions belong **except** if the approved participant owning these positions has formally delegated the reporting of his positions to his clearing broker or to the broker carrying his positions.

DOUBLE REPORTING

Scenarios that may result in double reporting:

1. Approved participant of the Bourse having its positions cleared by another approved participant of the Bourse who is a CDCC member:

This scenario involves a situation where an approved participant (including a foreign approved participant) executes transactions and subsequently has them cleared by another approved participant which is a CDCC member. This particular setup, which involves an approved participant (executing participant) detaining an account with another approved participant who is a CDCC member may cause the latter to report the executing approved participant's positions with those of its other clients when completing its daily LOPR submission. As indicated in previous circulars issued by the Bourse¹ and in the LOPR Regulatory Requirements Guide

¹ See circulars No. 020-2011 issued on January 20, 2011 (http://www.m-x.ca/f_circulaires_en/020-11_en.pdf) and 074-2011 issued on May 5, 2011 (http://www.m-x.ca/f_circulaires_en/074-11_en.pdf)

published by the Division on February 20, 2013², the Bourse, following the implementation of the compulsory use of the LOPR tool and of the related regulatory amendments on April 1, 2013, no longer accepts that undisclosed customer omnibus accounts be reported by approved participants acting as clearing brokers when such accounts are maintained in the name of another approved participant (including a foreign approved participant). However, these clearing approved participants are still required to report positions held in undisclosed omnibus accounts that are maintained for entities that are not approved participants of the Bourse.

The requirements of the Bourse provide that all approved participants (including foreign approved participants) that are using a clearing broker to clear their transactions must report themselves positions held for their clients or for their own account. Furthermore, delegation of the reporting task is not permitted if the delegatee is unable to report positions on a fully disclosed basis (i.e. being able to identify each and every client holding positions and reporting each of these clients individually when they hold positions in excess of the prescribed reporting thresholds).

a. What does the executing approved participant have to consider: Approved participants (including foreign approved participants) must ensure that their positions held with other approved participants (including foreign approved participants) are not being double reported. For example, an approved participant records positions in his books and these positions are held by another approved participant in its capacity of clearing broker or carrying broker, If the approved participant reports the positions that are recorded in his books, he must make sure that the other approved participant who acts as his clearing/carrying broker does not also report these same positions otherwise this will result in the same positions being reported twice.

b. What does the clearing approved participant have to consider:

Approved participants that undertake to clear and carry positions for other approved participants (including foreign approved participants) must ensure that if they are reporting the positions of this other approved participant, then this one should not be reporting these same positions. Here again, if both parties report these positions, double reporting will occur.

To determine if an entity is an approved participant of the Bourse, please refer to the list of all approved participants of the Bourse available on the website of the Bourse at the following address: http://www.m-x.ca/connect_participants_en.php.

It is important that all approved participants adopt effective communication and coordination procedures when they are using the services of another approved participant to clear and/or carry positions on their behalf in order to ensure that there is no double reporting of a given position.

- 2. Approved participant of the Bourse (including a foreign approved participant) routing orders through a broker who is not an approved participant of the Bourse and having its transactions cleared by another approved participant of the Bourse who is a CDCC Member:**

² See http://reg.m-x.ca/f_techdocs_en/lopr_regulatory_requirements_guide_v10_en.pdf.

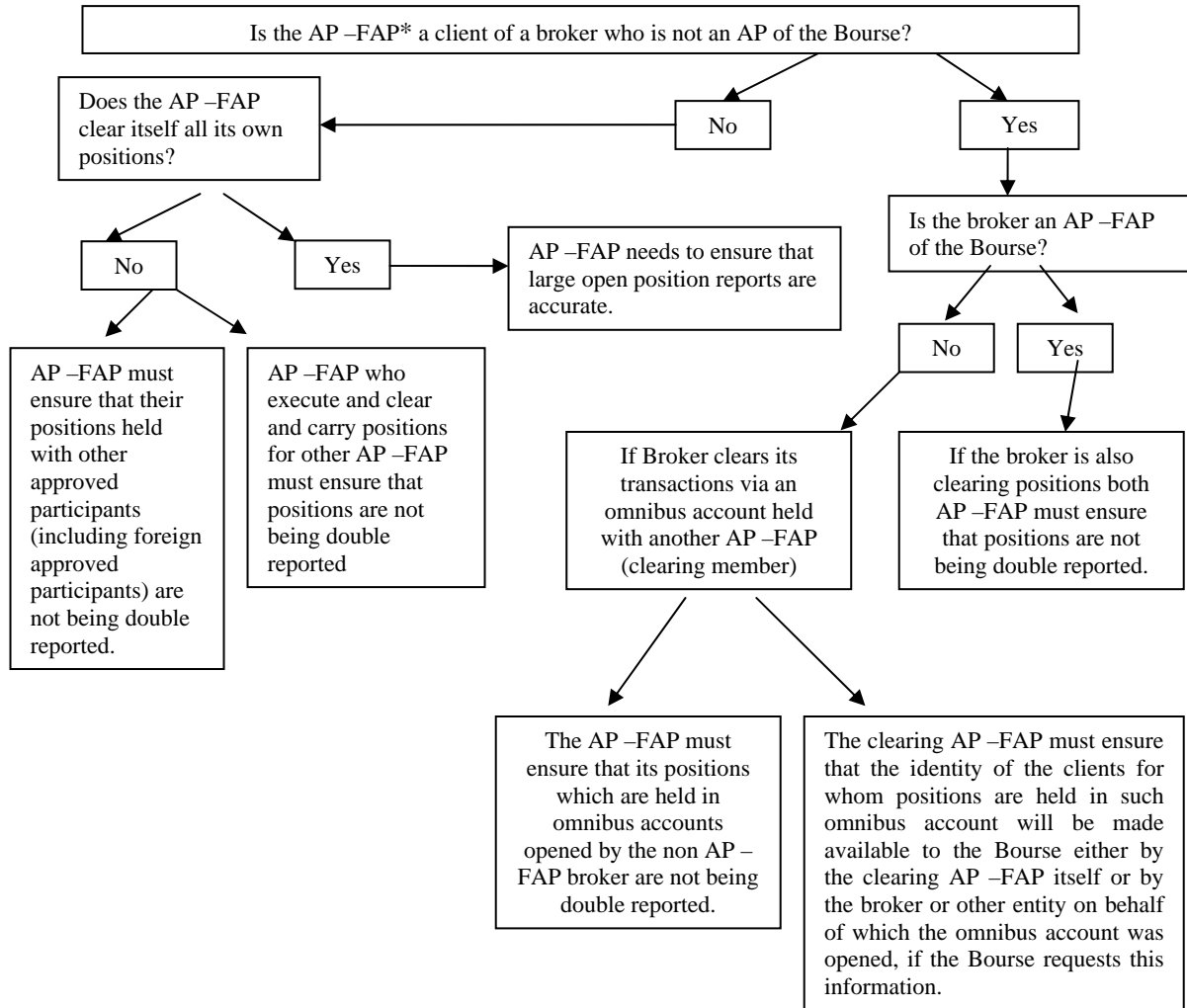
This scenario involves a situation where an approved participant (including a foreign approved participant) is a client of a broker who is not an approved participant, this one executing the approved participant's transactions and having them cleared through an omnibus account held with another approved participant who is a CDCC member. In this situation the first approved participant runs the risk of having its positions reported twice as the clearing approved participant does not have the details regarding the beneficial owners of the positions held in the broker's (who is not an approved participant of the Bourse) undisclosed omnibus accounts. Therefore, the clearing approved participant must ensure that the identity of the clients for whom positions are held in such omnibus account will be provided to the Bourse either by the clearing approved participant itself or by the broker or other entity on behalf of whom the omnibus account was opened, if the Bourse requests this information.

a. What does the approved participant have to consider:

The approved participant (including a foreign approved participant) must ensure that its positions which are held in omnibus accounts opened by non approved participants are not being double reported.

b. What does the clearing approved participant have to consider:

Although clearing approved participants are still required to report positions held in omnibus accounts that are maintained for entities that are not approved participants of the Bourse, they must ensure that these omnibus accounts do not include positions of approved participants (including foreign approved participants).



* AP-FAP: Approved Participant including Foreign Approved Participant

It is imperative that approved participants (including foreign approved participants), other brokers that are not approved participants of the Bourse and approved participants acting as clearing/carrying brokers communicate with one another in order to ensure that positions are not being double reported and that they are reported in their entirety.

It is also essential for approved participants (including foreign approved participants) to ensure that all required LOPR fields be populated with accurate information as stipulated in the LOPR CSV Record Layouts for Approved Participants: http://reg.m-x.ca/f_techdocs_en/lopr-mr-004e_mxr_lopr_csv_record_layouts_v15_en.pdf. What follows is a list of items that must be carefully considered when preparing LOPR submissions.

REPORTING ACCURATELY**LOPR CSV Record Layouts for Approved Participants (Required Fields)****1. Account Type**

As stipulated in the LOPR CSV Record Layout document (http://reg.m-x.ca/f_techdocs_en/lopr-mr-004e_mxr_lopr_csv_record_layouts_v15_en.pdf), one of the following account types must be accurately provided when submitting an account record:

- 1 = Client
- 2 = Firm
- 8 = Market Maker
- 3 = Omnibus
- 4 = Professional

What follows is a definition for each respective account types

Account Type	Definition
Client	Means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on behalf of his clients.
Firm	Means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on its own behalf.
Market Maker	Means an account established by an approved participant which is confined to exchange transactions executed by and positions carried by the approved participant on behalf of a market-maker.
Omnibus	Means an account held in the name of an entity or person which may be utilized for recording and clearing the trades of two or more undisclosed customers of the account holder.
Professional	Means an account in which a direct or indirect beneficial interest is held by an approved participant (other than the approved participant itself, in which case the account must be identified as a firm account), a related firm, an approved person or a permit holder.

2. Account Owner Type

As stipulated in the LOPR CSV Record Layout document (http://reg.m-x.ca/f_techdocs_en/lopr-mr-004e_mxr_lopr_csv_record_layouts_v15_en.pdf), one of the following account owner types must be accurately provided when submitting an account record:

Account Owner Type	Definition
Canadian Bank	A Schedule 'A' Bank or Credit Union.
Foreign Bank	A Schedule 'B' Bank or a bank based outside Canada.

Canadian Broker	A Broker based in Canada that is a member of IIROC.
Foreign Broker	A Broker based outside Canada.
Fund Manager	A professional who manages various securities and assets to meet his or her clients' specified investment goals (e.g., commodity pool operator, options advisor).
Pension Fund	Any plan, fund (including pension fund of government-owned corporation or State-owned enterprise), or program that provides retirement income to employees or that includes schemes that result in a deferral of income by employees.
Government and State Owned Companies	A Government Ministry or a legal entity created by a government to undertake commercial activities for an owner government.
Retail Client	Generally refers to individuals, families and small businesses.
Insurance Company	A company that provides insurance coverage to a person or entity that buys an insurance policy
Hedge Fund	An investment fund open to a limited number of investors, and that takes on investments that carry a higher degree of risk than the risk taken by traditional investment funds.
Mutual Funds	A professionally managed investment scheme that pools money from investors and that invests it in various investment securities.
CTA (Commodity Trading Advisor)	An asset manager or a firm that invests in the futures market.
Corporate	An entity that is engaged in a commercial activity (other than portfolio management and other than financial institutions, brokers, governments and government - owned corporations) that is granted a charter recognizing it as a separate legal entity which has its own rights, privileges, and liabilities and which are distinct from those of its shareholders.
Proprietary Trading Firms Primarily Algorithmic	A trading firm or a trader who trades primarily for his or her own account using a algorithmic trading tools.
Proprietary Trading Firms Local	A trading firm or a trader who trades primarily for his or her own account without using algorithmic trading tools or using them in a limited fashion.
Miscellaneous	Refers to all other client types not mentioned above.

The “Miscellaneous” AccountOwnerType should be used only in cases where none of the above mentioned AccountOwnerTypes can be applied to the concerned account.

3. OwnerID

The following guidelines are to be used when populating the Account Owner ID field for LOPR with possible escalation when there is a legitimate unavailability³ of the required information:

³ For the purpose of this document, information is considered to be “unavailable” only if it cannot be created or obtained in any format or record available to the approved participant.

A) For an account in the name of an individual or of a registered or corporate entity owned exclusively by this individual:

- 1) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm;

If, and only if, the above identifier is unavailable, approved participants will be allowed to use the following identifier:

- 2) Account owner's last name.

The Division will not prescribe any specific format for such unique identifier. Therefore, approved participants can create an identifier format that represents for them the most practical and adequate solution. It is important that the identifier, used for each particular account owner, be unique so that there is assurance that different account owners do not have the same identifier.

Example 1: John Doe has the following accounts with an approved participant:

John Doe Account Types	Account #	Internal unique identifier used by approved participant to link accounts belonging to the same individual
RRSP	123456	ABC123
CDN Margin	789101	ABC123
TFSA	121314	ABC123
JD Corp* (Personal Holding Corporation)	875149	ABC123

*Client has a beneficial ownership interest in excess of 50% in the account

Each approved participant will be responsible for providing this “unique internal identifier” that will link accounts belonging to the same individual within the firm. This “unique internal identifier” must remain permanent for the lifetime of all of the related accounts.

B) For an account belonging to multiple individuals (partnerships, joint accounts, investment clubs, registered entities other than corporations, etc.):

- 1) If one of the account owners holds an ownership interest of more than 50% in the account, then use the succession of identifiers found in A) above related to this account owner.
- 2) For all other circumstances, populate field with the account name (e.g. Mr. & Mrs. Smith, ABC Investment club etc.). Please note that the Account Owner ID field can accommodate up to 24 characters. Should the full account name exceed 24 characters, create an acronym from the entity's legal name. (Do not hesitate to contact the Division for guidance on this matter).

C) For an account belonging to a corporation that is 100% owned by an individual, see A above.

D) For all other corporate configurations the following is to be observed:

- 1) If the corporation is more than 50% owned by an individual, use the succession of identifiers found in A) above related to this account owner;
- 2) If the corporation is more than 50% owned by another corporation, use the following succession of steps to determine the account owner Id:
 - I) The CICI/LEI⁴ code assigned to the controlling corporation. The CICI/LEI code can be obtained or created by accessing the CICI Utility web portal at <https://www.ciciutility.org/>.
 - II) The incorporation number of the controlling corporation
- 3) For other cases, use the following succession of steps to determine the account owner Id:
 - I) The CICI/LEI code belonging to the corporation in whose name the account is opened. The CICI code can be obtained or created by accessing the web portal at <https://www.ciciutility.org/>.
 - II) The incorporation number of the corporation in whose name the account is opened.

If, and only if, the above identifiers are not available, approved participants will be allowed to use one of the following identifiers:

- 1) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm; or
 - 2) Account owner corporate legal name. Please note that the Account Owner ID field can accommodate up to 24 characters. If the full account owner corporate legal name exceeds 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Division for guidance).
- E) For any account not covered in sections A), B), C) or D)
- 1) Registration number (e.g.: charitable organization);
 - 2) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm;

4. Report Date:

It is important that Approved Participants (including Foreign Approved Participants) be aware of the report date that is being associated to the LOPR submission. With the LOPR tool, approved participants are required to submit their positions reports for the Bourse's listed derivative instruments on a daily basis. Even if, for a given date, there are no positions to report, approved participants must submit through the LOPR tool a message confirming that there are no reportable positions for the date in question. The positions report as of the end of a given trading day or, as the

⁴ See Appendix 1

case may be, any message confirming that there are no positions to report must be submitted to the Division no later than 8:00 a.m. (Montreal time - ET) on the next business day.

For each trading day⁵, the submission times available will be as follows:

- Current day submission – from 9:00 a.m. to 10:00 p.m. (ET);
- Systems closed – from 10:00 p.m. to 1:00 a.m. - no submissions accepted;
- Extended Time – from 1:00am to 8:00am (for the previous trading day submission).

Example: The position report for July 25, which must include all open positions as of the close of the trading session for that day may be submitted either on July 25 before 10:00 p.m. (ET) or on July 26 between 1:00 a.m. and 8:00 a.m. (ET).

Note that the report date which will appear by default on the GUI is that of the current day. Therefore, users must take particular care in order to ensure that this “report date” accurately reflects the end of the trading day’s date for which the position reports have been compiled.

5. Entering accurate information in respective fields

It is also imperative that approved participants (including foreign approved participants) ensure that the correct information is entered in the respective fields when completing LOPR reports.

For further information, please send your inquiries to LOPR@m-x.ca.

Jacques Tanguay
Vice-President, Regulatory Division
Circular no.: 105-2013

⁵ A list of TMX holiday schedule can be found on our website http://m-x.ca/qui_jours_fr.php

APPENDIX 1 – Legal Entity Identifier Project

The Legal Entity Identifier (LEI) program is a global project, headed by the Financial Stability Board (FSB), designed to create and apply a single, universal standardized identifier to any organization or firm involved in a financial transaction. Such an identifier for each legal entity will allow regulators to conduct more accurate analysis of systemically important financial institutions and corporations and their transactions with all counterparties across markets, products and regions.

Interim identifier Launch

The U.S. Commodity Futures Trading Commission (the CFTC) announced plans in early 2012 to designate a CFTC Interim Compliant Identifier utility (CICI) that would be able to issue identifiers to entities involved in derivatives trading and would ultimately fully comply with the global framework for a Legal Entity Identifier (LEI) as prescribed by the FSB and the G20.

Following a competitive proposal process, the CFTC released, on July 24, 2012, an Order designating The Depository Trust & Clearing Corporation (DTCC) and SWIFT as the providers of identifiers for swap data reporting purposes. The utility is designed to be fully compliant with the ISO 17442 LEI standard endorsed and recommended by the FSB. Although the first phase of the program targets OTC derivative instruments with a March 1, 2013 planned implementation date, it is the intent of the program sponsors and regulators to extend it as quickly as possible to exchange-traded instruments such as futures contracts and options.

CICI Utility Portal Launch

As a result of this designation, DTCC and SWIFT announced, on August 21, 2012, that they had launched a Web portal at <http://www.ciciutility.org/> to begin assigning CICIs.

For more information, please see:

http://www.dtcc.com/news/press/releases/2012/cftc_interim_compliant_identifier_utility.php
http://www.dtcc.com/downloads/news/CiCi_Report.pdf

At the moment, the portal already contains approximately 50,000 validated entity records that have been assigned CICIs that align with the ISO 17442 standard. It is also to be mentioned that the CICI portal allows entities to either self-register in the database or to be registered by a third-party (e.g.: a broker/dealer can register its clients). This registering facility has permitted to double the number of registered entities since the CICI website has been launched in August 2012 and it is expected that the number of registered entities will continue to grow rapidly in the coming months.

For more information regarding the creation and implementation of the Legal Entity Identifier (LEI) and CFTC Interim Compliant Identifiers (CICIs) programs please consult the following links:

<http://www.cftc.gov/PressRoom/PressReleases/pr6310-12>
<http://www.dtcc.com/products/dataservices/lei.php>