



**CIRCULAR 114-19**

August 23, 2019

**SELF-CERTIFICATION**

**AMENDMENTS TO ARTICLE 6.200 OF THE RULES OF BOURSE DE MONTRÉAL INC. RELATING TO  
OFF-EXCHANGE TRANSFERS**

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) and the Special Committee of the Regulatory Division of the Bourse approved amendments to article 6.200 of the Rules of the Bourse in order to better capture the circumstances for which an Off-Exchange Transfer is permitted and add clarity on the conditions and requirements that may be applicable. 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 herewith will become effective on **August 26, 2019**, after market close. Please note that the revised articles will also be available on the Bourse’s website ([www.m-x.ca](http://www.m-x.ca)).

The amendments described in the present circular were published for public comment by the Bourse on May 21, 2019 (see [Circular 075-19](#)). Further to the publication of this circular, the Bourse received comments. A summary of the comments received as well as responses from the Bourse to these comments is attached hereto.

The Regulatory Division will be updating the Guidelines on Off Exchange Transfer in light of the amendments to article 6.200.

For additional information, please contact Martin Jannelle, Senior Legal Counsel, at 514-787-6578 or by email at [martin.jannelle@tmx.com](mailto:martin.jannelle@tmx.com).

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## Chapter B—Obligations of Approved Participants

[...]

### Article 3.105 Notification of Regulatory Division of Non-Compliance

- (a) An Approved Participant must immediately notify the Regulatory Division in the event that this Approved Participant or any of its Approved Person:
  - (i) fails to be able to continue to meet its obligations;
  - (ii) becomes insolvent;
  - (iii) commits an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3; or
  - (iv) becomes a debtor company within the meaning of the Companies' Creditor Arrangement Act.
  
- (b) An Approved Participant must diligently conduct a review in accordance with its internal supervision policies and procedures upon becoming aware that, such Approved Participant, an employee, an Approved Person, or a client authorized pursuant to Article 3.5 possibly violated the Rules pertaining to:
  - (i) Article 7.6 respecting front running;
  - (ii) Article 7.5 respecting manipulative or deceptive methods of trading;
  - (iii) Article 7.3 respecting best execution;
  - (iv) Articles 3.4 and 3.5 respecting access to electronic trading;
  - (v) Articles 6.114 and 6.116 respecting management of priorities;
  - (vi) Articles 6.203, 6.204, 6.205, 6.206 and 6.207 respecting Transactions required on Bourse facilities;
  - (vii) Article 6.200 respecting Off-Exchange Transfers of Existing Positions on a Listed Product~~Futures Contracts~~.

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## **Chapter B—Obligations of Approved Participants**

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  - (iii) Article 7.3 respecting best execution;
  - (iv) Articles 3.4 and 3.5 respecting access to electronic trading;
  - (v) Articles 6.114 and 6.116 respecting management of priorities;
  - (vi) Articles 6.203, 6.204, 6.205, 6.206 and 6.207 respecting Transactions required on Bourse facilities;
  - (vii) Article 6.200 respecting Off-Exchange Transfers of Existing Positions on a Listed Product.

[...]

## **Chapter A—In General**

### **Article 6.0 Discretionary Authority of Bourse**

The Bourse may prescribe such terms and conditions as it shall deem appropriate relating to Transactions in Listed Products traded either on or off the Bourse.

### **Article 6.1 Emergency Authority of the Bourse**

- (a) The Bourse has the power and the authority to act in the event that it determines the existence of an emergency situation which threatens the integrity, liquidity or orderly trading or liquidation of any Listed Product. The Bourse may exercise its emergency powers in the event that it believes in good faith that any of the circumstances similar to the following exist:
- (i) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;
  - (ii) the liquidity of a Listed Product on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take Delivery in the ordinary course;
  - (iii) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other Derivative Instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any Listed Product on the Bourse; or
  - (iv) an unusual, unforeseeable, and adverse circumstance has occurred.
- (b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:
- (i) terminate trading;
  - (ii) limit trading to liquidation of Listed Products only;
  - (iii) order liquidation of all or a portion of an Approved Participant's accounts;
  - (iv) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take Delivery;

- (v) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;
  - (vi) modify the Trading Days or trading hours;
  - (vii) alter conditions of Delivery or of settlement;
  - (viii) fix the Settlement Price at which Listed Products are to be liquidated according to the rules of the Clearing Corporation;
  - (ix) require additional Margins to be deposited with the Clearing Corporation.
- (c) When the Clearing Corporation informs the Bourse of any emergency situation, whether in progress or feared, of which it has become aware, the Bourse shall act within twenty-four (24) hours to consider appropriate measures, if any. The Clearing Corporation shall have the right to participate in any deliberation made pursuant to the present Article.
- (d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this Article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this Article remain in effect for more than ninety (90) days following their imposition.

## **Article 6.2 Trading Restricted to the Bourse**

Subject to the exceptions set out in Article 6.204 and Article 6.200, all Transactions in Listed Products made by Approved Participants, an affiliated corporation or a Person must take place on the Bourse during a trading session thereof.

## **Article 6.3 Transactions Required on the Bourse Electronic Trading System**

All trading in Listed Products must occur on or through the Trading System, except as otherwise permitted in accordance with the Rules.

## **Article 6.4 Open Positions; Liquidation Trades**

- (a) All Derivative Instruments positions for a Client Account or non-client account must remain open until liquidated by a closing Transaction, by Delivery, by cash settlement or failure to perform as provided in the rules of the exchange where such Derivative Instruments are traded and the Clearing Corporation.
- (b) All Closing Trades shall take place on the Bourse and shall be subject to the Regulations of the Bourse and of the designated Clearing Corporation.

## **Article 6.5 Dissemination of Trades**

All Trades shall be disseminated through the market data feed after execution.

## **Article 6.6 Trading Hours**

Trading hours are determined by the Bourse.

## **Article 6.7 Trading Outside Trading Hours**

Except as permitted by Article 6.208 and Article 6.200, no ~~Futures Contracts~~Listed Products may be traded or transferred, and no agreement to trade or transfer Listed Products~~Futures Contracts~~ may be entered into, before the opening or after the closing of trading in any Listed Product~~Futures Contract~~ such as determined by the Bourse.

## **Article 6.8 Treatment of Long Position and Short Position**

- (a) Unless concurrent Long Positions and Short Positions in the same Delivery Month or Settlement Month are held on behalf of an Omnibus Account; or in accordance with the provisions of paragraph (c) of this Article, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for (y) a single account; or (z) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently Long Position and Short Position.
- (b) A clearing member shall promptly close out a customer's open Long Position or Short Position held with the Clearing Corporation if an offsetting purchase or sale Transaction is made for such customer's account.
- (c) A clearing member would be permitted to carry with the Clearing Corporation concurrent Long Position and Short Position for separate accounts of a customer, provided that :
  - (i) each Person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other Person directing trading for a separate account;
  - (ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and
  - (iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures. Each position must be offset by Transactions made on the Electronic Trading System.

- (d) Although Article 6.200 allows for off-exchange transfers of Listed Products~~Futures Contracts~~, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent Long Position and Short Position would be held contrary to this Rule. The positions which would create the concurrent Long Position and Short Position situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by Transactions made on the Electronic Trading System.

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## **Chapter A—In General**

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  - (i) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;
  - (ii) the liquidity of a Listed Product on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take Delivery in the ordinary course;
  - (iii) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other Derivative Instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any Listed Product on the Bourse; or
  - (iv) an unusual, unforeseeable, and adverse circumstance has occurred.
- (b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:
  - (i) terminate trading;
  - (ii) limit trading to liquidation of Listed Products only;
  - (iii) order liquidation of all or a portion of an Approved Participant's accounts;
  - (iv) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take Delivery;

- (v) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;
  - (vi) modify the Trading Days or trading hours;
  - (vii) alter conditions of Delivery or of settlement;
  - (viii) fix the Settlement Price at which Listed Products are to be liquidated according to the rules of the Clearing Corporation;
  - (ix) require additional Margins to be deposited with the Clearing Corporation.
- (c) When the Clearing Corporation informs the Bourse of any emergency situation, whether in progress or feared, of which it has become aware, the Bourse shall act within twenty-four (24) hours to consider appropriate measures, if any. The Clearing Corporation shall have the right to participate in any deliberation made pursuant to the present Article.
- (d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this Article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this Article remain in effect for more than ninety (90) days following their imposition.

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- (b) All Closing Trades shall take place on the Bourse and shall be subject to the Regulations of the Bourse and of the designated Clearing Corporation.

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### **Article 6.6      Trading Hours**

Trading hours are determined by the Bourse.

### **Article 6.7      Trading Outside Trading Hours**

Except as permitted by Article 6.208 and Article 6.200, no Listed Products may be traded or transferred, and no agreement to trade or transfer Listed Products may be entered into, before the opening or after the closing of trading in any Listed Product such as determined by the Bourse.

### **Article 6.8      Treatment of Long Position and Short Position**

- (a) Unless concurrent Long Positions and Short Positions in the same Delivery Month or Settlement Month are held on behalf of an Omnibus Account; or in accordance with the provisions of paragraph (c) of this Article, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for (y) a single account; or (z) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently Long Position and Short Position.
- (b) A clearing member shall promptly close out a customer's open Long Position or Short Position held with the Clearing Corporation if an offsetting purchase or sale Transaction is made for such customer's account.
- (c) A clearing member would be permitted to carry with the Clearing Corporation concurrent Long Position and Short Position for separate accounts of a customer, provided that :
  - (i) each Person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other Person directing trading for a separate account;
  - (ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and
  - (iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures. Each position must be offset by Transactions made on the Electronic Trading System.

- (d) Although Article 6.200 allows for off-exchange transfers of Listed Products, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent Long Position and Short Position would be held contrary to this Rule. The positions which would create the concurrent Long Position and Short Position situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by Transactions made on the Electronic Trading System.

[...]

AMENDED VERSION

Chapter C—Prearranged Transactions and Trade Cancellation

Article 6.200 ~~Non-Trading—System~~Off-Exchange Transfers of Existing ~~Futures Contracts~~Positions in a Listed Product

(a) Notwithstanding the provisions of Article 6.3, ~~an off-exchange transfers of open Futures Contracts~~transfer of existing positions on a Listed Product may be accomplished without the prior permission of the Bourse only if:

(i) such off-exchange transfer is made to correct an error in clearing and/or an error in the recording of Transactions in an Approved Participant's books; or

(ii) subject to Article 6.8, there is no change in the beneficial ownership of the positions transferred. For purposes of an off-exchange transfer, notwithstanding anything to the contrary in the Rules including, without limitation, Article 1.103, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) an off-exchange transfer between Persons which are 100% owned by the same Person or (B) an off-exchange transfer between any Person and another Person or entity owned 100% by such Person.

(b) Futures Contracts, ~~In all situations described in paragraph (a)~~, the Approved Participants involved in the off-exchange transfer ~~are able to produce~~shall maintain and shall without delay provide to the Bourse, upon request, all orders, records ~~and~~, memoranda or other documentary evidence ~~thereto and to~~ the off-exchange transfer ~~either~~.

~~(i) is made at the request of the beneficial owner of the Futures Contracts from one Approved Participant to another; or (c) All~~

~~(ii) is made at the request of one Approved Participant to another Approved Participant; or~~

~~(iii) is made to correct an error in clearing; or~~

~~(iv) is made to correct an error in the recording of Transactions in the Approved Participant's books.~~

~~(b) Both~~ Approved Participants which are parties to an off-exchange transfer pursuant to this Article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such transfer is effected.

~~(ed)~~ Notwithstanding the provisions of paragraph (a), and subject to a prior written approval of the Bourse, a transfer of ~~a position~~existing positions in a Listed Product either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

(i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or

(ii) involves a Partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment

fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any ~~Open Position~~existing positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any party; or

(iii) is in the best interests of the market and the situation so requires.

## Chapter C—Prearranged Transactions and Trade Cancellation

### Article 6.200 Off-Exchange Transfers of Existing Positions in a Listed Product

(a) Notwithstanding the provisions of Article 6.3, an off-exchange transfer of existing positions on a Listed Product may be accomplished without the prior permission of the Bourse only if:

- (i) such off-exchange transfer is made to correct an error in clearing and/or an error in the recording of Transactions in an Approved Participant's books; or
- (ii) subject to Article 6.8, there is no change in the beneficial ownership of the positions transferred. For purposes of an off-exchange transfer, notwithstanding anything to the contrary in the Rules including, without limitation, Article 1.103, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) an off-exchange transfer between Persons which are 100% owned by the same Person or (B) an off-exchange transfer between any Person and another Person or entity owned 100% by such Person.

(b) In all situations described in paragraph (a), the Approved Participants involved in the off-exchange transfer shall maintain and shall without delay provide to the Bourse, upon request, all orders, records, memoranda or other documentary evidence pertaining to the off-exchange transfer.

(c) All Approved Participants which are parties to an off-exchange transfer pursuant to this Article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such transfer is effected.

(d) Notwithstanding the provisions of paragraph (a) and subject to a prior written approval of the Bourse, a transfer of existing positions in a Listed Product either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

- (i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or
- (ii) involves a Partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any existing positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any party; or
- (iii) is in the best interests of the market and the situation so requires.

[...]

**Chapter C—Prearranged Transactions and Trade Cancellation**

[...]

**Article 6.204 Exceptions to Prohibition on Prearranged Transactions**

The prohibition in Article 6.203 shall not apply to prearranged Transactions pursuant to Article 6.205; block Trades pursuant to Article 6.206; riskless basis cross Trades pursuant to Article 6.207; exchange of Futures for risk pursuant to Article 6.208; and off-exchange transfers ~~of Open Positions~~ under Article 6.200; *provided however*, no Transaction under any of the exceptions included in this Article may be executed using a hidden volume functionality.

[...]

## **Chapter C—Prearranged Transactions and Trade Cancellation**

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### **Article 6.204 Exceptions to Prohibition on Prearranged Transactions**

The prohibition in Article 6.203 shall not apply to prearranged Transactions pursuant to Article 6.205; block Trades pursuant to Article 6.206; riskless basis cross Trades pursuant to Article 6.207; exchange of Futures for risk pursuant to Article 6.208; and off-exchange transfers under Article 6.200; *provided however*, no Transaction under any of the exceptions included in this Article may be executed using a hidden volume functionality.

[...]

**Circular 075-19: Summarized comments and responses**  
**ART. 6.200 OFF-EXCHANGE TRANSFERS**

<b>No.</b>	<b>Date comments received</b>	<b>Participant Category</b>	<b>Subject</b>	<b>Summary of comments</b>	<b>Summary of responses</b>
1.	June 17, 2019	IIAC	Industry participants seeking clarifications and guidance	<p>We agree with the Regulatory Division that such transfers should not be limited to Futures contracts. When the Bourse self-certified rule changes on December 29, 2017 (circular 187-17), Article 6005 “Off-Exchange Transactions” had been deleted which created confusion for our members. The article discussed off-exchange transfers of the Bourse’s products. The Bourse, at that time, replaced Article 6005 with an amended Article 6816 “Off-Exchange Transfer of Existing Futures Positions”. We agree that the non-futures information had to be added back.</p>	The Bourse acknowledges your comment.

2.	June 17, 2019	IIAC	Confusing wording included in the proposal	<p>The IIAC and its members generally agree with the proposal but find some of the wording used by the Regulatory Division of the Bourse to be confusing. We would recommend using simpler and clearer wording.</p> <p>We provide examples below.</p> <p>The analysis portion of the circular, section ii, states:</p> <p><i>However, the prescribed situations under paragraph (a) of Article 6.200 do not contemplate the correction of an error in clearing or recording in an Approved Participant's book in cases where a change in beneficial ownership would occur. In other words, if a correction has to be done from one client's account to another following an error, the situation does not qualify under paragraph (a) (iii) or</i></p>	<p>The Bourse acknowledges that, when discussing a correction that had to be done from “from one client’s account to another” in the analysis section, the Bourse meant “from one client’s account to another client’s account”.</p>
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				<p><i>(iv)4 given the restriction regarding the change in beneficial ownership.</i> [Emphasis added]</p> <p>We believe that the underlined portion above needs to be clarified and mention “to another client’s account”.</p>	
3.	June 17, 2019	IIAC	Confusing wording included in the proposal	<p>In Article 6.200, paragraph (b): <i>In all situations described in paragraph (a), the Approved Participants involved in the off-exchange transfer shall maintain and shall without delay provide to the Bourse, upon request, all orders, records, memoranda or other documentary evidence pertaining to the off-exchange transfer.</i> [Emphasis added]</p> <p>We believe “without delay” should be removed.</p>	<p>The notion of “without delay” is consistent with the terms used in article 4.1 of the Rules of the Bourse related to the requirement to provide information requested by the Division. It is the Division’s practice to include in any request for information a deadline by which information shall be provided. Late filing of documents are subject to the imposition of fees (section 2 of the List of fees of the Bourse).</p>

4.	June 17, 2019	IIAC	Confusing wording included in the proposal	<p>In the analysis section, under paragraph iv:  <i>(C) Finally, a scenario of an Off-exchange transfer that could be authorized by the Division under Article 6.200 (c):</i></p> <p><i>1. Account 123, under the name of Enterprise Inc., is held at Participant ABC. Enterprise Inc. is owned 50% by Mr. X and 50% by Mr. Y. Participant ABC receives a request from Mr. X to transfer the Listed Products positions held in Account 123, to account 789, under the name Company Ltd., as a result of an asset purchase transaction in view of a dissolution of Enterprise Inc. Account 789 is also held at Participant ABC and Company Ltd. is owned 100% by Mr. Y. Such transfer could be authorized by the Division under the specific circumstances of the dissolution and asset purchase</i></p>	<p>Each request for approval on an off-exchange transfer is reviewed on a case by case basis. Hence in the example, the use of the word “could” is to connote the Division’s review before granting or refusing a request. Please note that the phrase “may be permitted” is used in the relevant article because the Bourse has discretion to accept or refuse the request.</p>
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				<p><i>transaction between the two entities.</i> [Emphasis added]</p> <p>We believe that the word “could” above should be changed to “would”. Using the word “could” lacks certainty.</p>	
5.	June 17, 2019	IIAC	Confusing wording included in the proposal	<p>In Article 6.200, paragraph (d):</p> <p><i>(d) Notwithstanding the provisions of paragraph (a) and subject to a prior written approval of the Bourse, a transfer of existing positions in a Listed Product either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:</i></p> <p><i>(i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or</i></p> <p><i>(ii) involves a Partnership, investment fund, or</i></p>	<p>Besides the specification of “prior written approval” which the Bourse has put forward for comments, the rest of this paragraph remains unchanged. The change that is being submitted is intended to be a clarification of the way the Bourse exercises its discretion when assessing whether a situation falls within the terms of paragraph (d) that is through a prior written approval.</p> <p>With respect to IIAC’s comment on “<i>does not result in more than a de minimis change</i>”, our general comment is that this portion was not part of the analysis and remains in full force and effect. We acknowledge your comments on using plain language in our proposal of rule modifications and we thank you.</p>

			<p><i>commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any existing positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any party; or (iii) is in the best interests of the market and the situation so requires. [Emphasis added]</i></p> <p>We believe that a change in wording is needed in order to bring clarity to the section above. “May be permitted” and “at the discretion of the Bourse” is wording that does not provide clarity. Furthermore, we would recommend using plain</p>	
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				language. We believe that simpler wording should be used instead of “does not result in more than a de minimis change...”.	
6.	June 17, 2019	IIAC	Confusing definition for Beneficial Ownership	<p>The IIAC and its members believe that having a definition of beneficial ownership that only pertains to off-exchange transfers and not to the whole rulebook may cause confusion for members.</p> <p>It is beneficial for members to have greater clarity on how the Regulatory Division will determine the 100% ownership for off-exchange transfers.</p>	<p>The Division believes it is in the best interest of stakeholders to define “beneficial ownership” for the purpose of this article. The notion of “beneficial ownership” may not be the same in other parts of the rules and that said, it is prudent to come with a specific definition for the purpose of this article.</p> <p>By specifying the 100% ownership, the Regulatory Division has simplified the determination of ownership for the purpose of Off-exchange transfer and provided better clarity on circumstances with such transfer can be permitted. There are several illustrations in the analysis document to highlight cases where transfers would be permitted and examples where a 100% ownership is not met.</p> <p>Participants may demonstrate that the condition of beneficial ownership is met by submitting various sources of information to the Regulatory Division such as articles of incorporation (with share ownership), shareholder agreement, ownership breakdown validated by an attorney or</p>

					<p>accountant, ownership details from a government database, share owner registry, organizational chart specifying percentage of ownership, evidencing the 100% ownership. This list is by no means exhaustive. For certainly, the Division will look at the “legal ownership” and not at any form of “de facto ownership”.</p>
7.	June 17, 2019	IIAC	The “control” aspect in a transaction	<p>We would recommend adding additional information on the “control” aspect of a transaction. For example, if a fund manager is transferring positions between funds he or she controls, would this be done on or off-exchange? Additional examples would be beneficial.</p>	<p>Same comment as above. This part of the Rule was not modified nor changed as part of the Regulatory Division’s proposal.</p> <p>The Division’s underlying regulatory intent for this paragraph c) is to consider circumstances that are non-recurring. Non-recurring events as listed in this paragraph c) and the notion of control would not be compatible. For purposes of article 6.200, the determining factor for an off-exchange transfer without prior approval are 1. there is no change in beneficial ownership or 2. correction of an error.</p> <p>In other circumstances, specified in paragraph (d) of the proposal, all facts will have to be submitted to the Regulatory Division for review.</p>