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CIRCULAR
November 28, 2012

LARGE DERIVATIVE INSTRUMENTS OPEN POSITIONS REPORTING (LOPR)

UPDATES REGARDING ACCOUNT OWNER IDENTIFICATION REQUIREMENTS

The Regulatory Division of Bourse de Montréal Inc. (the Division) wishes to inform approved participants of requirements changes for populating the Account Owner Identification field (“OwnerId”) in LOPR. The following updates explain the reasons for these changes and define the course of action to take when populating the OwnerId field pertaining to accounts belonging to corporations (Update 1) and for accounts belonging to individuals (Update 2). Finally, an updated summary of the requirements pertaining to the OwnerId field, highlighting the changes with respect to circular 074-11 issued on May 2, 2011 (http://www.m-x.ca/f_circulaires_en/074-11_en.pdf) is presented in Appendix 1.

UPDATE 1 – INSTITUTIONAL, CORPORATE AND OTHER LEGAL ENTITY ACCOUNTS (OTHER THAN CORPORATIONS OWNED AND/OR CONTROLLED BY AN INDIVIDUAL)¹

Overview of Legal Entity Identifier Project

The Legal Entity Identifier (LEI) is a global program, 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. CommodityFutures Trading Commission (the CFTC) announced plans earlier this year 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

¹ For the purposes of this circular and for the purposes of LOPR in general, the term “controlled by an individual” refers to a beneficial ownership interest that is in excess of 50%.

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:

- [DTCC and SWIFT press release on CICI utility](#) :
http://www.dtcc.com/news/press/releases/2012/cftc_interim_compliant_identifier_utility.php
- [“Demystifying Legal Entity Identifiers,” an LEI/CICI overview](#) :
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>

Impact on LOPR for institutional, corporate and other legal entity accounts (other than corporations owned and/or controlled by an individual)

In line with the upcoming mandatory use of the LEI identifiers (known, in the interim, as CICIs until the establishment of a global Legal Entity Identifier solution, at which time CICIs will become LEIs), the Division requires that in the case of institutional, corporate or other legal entity accounts (other than corporations owned and/or controlled by an individual) the OwnerId field in the CSV Record Layouts (see technical document [“CSV Record Layouts - LOPR v1.3”](http://reg.m-x.ca/f_techdocs_en/lopr-mr-004e_mxr_lopr_csv_record_layouts_v13_en.pdf) at http://reg.m-x.ca/f_techdocs_en/lopr-mr-004e_mxr_lopr_csv_record_layouts_v13_en.pdf) be populated with the CICI (and eventually the LEI) whenever such an identifier is available and has been validated in the CICI utility web portal for the entity in question.

If no CICI is available, approved participants are reminded that it is possible for them to have one created through the CICI portal and that this can be done either by themselves or by the account owner.

If such creation is not possible, then the OwnerId field should be populated with the corporate registration number which is generally readily available either from the account owner or from public registries. It is to be noted however that if a CICI or LEI is eventually created for the entity, such CICI or LEI shall permanently become the new identifier of this entity.

UPDATE 2 – ACCOUNTS OPENED IN THE NAME OF INDIVIDUALS AND/OR IN THE NAME OF CORPORATIONS OWNED AND/OR CONTROLLED BY SUCH INDIVIDUALS

Withdrawal of the requirement to provide the last four digits of Social Insurance Number for individuals

In the circular that was published on May 2, 2011 (http://www.m-x.ca/f_circulaires_en/074-11_en.pdf), the Division was requiring that approved participants provide, in the OwnerId field, the last four digits of the Social Insurance Numbers (SIN) for individuals residing in Canada or of the equivalent numbers for individuals residing outside of Canada. In light of recent developments, the Division wishes to advise all approved participants that the requirement to provide such information has been dropped.

Impact on LOPR for Accounts Related to Individuals

Given the above change, the Division is requesting that approved participants populate the “OwnerId” field with a “unique internal identifier” that will serve to link together all accounts within their firm for which the ownership is related to an individual. Approved participants are reminded that for the purpose of LOPR, a person is considered to be the owner of an account when this person has a beneficial ownership interest of more than 50% in the account.

The Division will not prescribe any specific format for such unique identifier. Therefore, approved participants can design an identifier format that represents for them the most practical and adequate solution. The important thing is that for each particular client, this identifier 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.

For any further clarification or questions not covered in this document, please address your inquiries to lopr@m-x.ca.

Please, feel free to circulate this message to the appropriate persons in your organization.

Jacques Tanguay
Vice-President, Regulatory Division
Circular no.: 158-2012

APPENDIX 1

**Summary of LOPR Identification Requirements Changes Following Updates 1 and 2
(deletions are crossed out and additions are underlined)**

Identification Requirements specified in Circular No. 074-2011 issued on May 2, 2011	Updated Identification Requirements
<p><u>1. ACCOUNT OWNERSHIP</u></p> <p>For the purposes of the LOPR project, the account ownership shall be determined by applying the following subsequent steps:</p> <ul style="list-style-type: none"> A) Person or entity that has more than 50% ownership interest in the account, B) Name of the account (e.g. Mr. and Mrs. Smith, ABC Investment club), <p>It is the approved participants' responsibility to determine account ownership based on the information that has been or can be provided by the account owner(s). In case of doubt, approved participants should not hesitate to communicate with the Division to assist them in determining whether or not accounts should be considered as having the same owner(s).</p> <p>Please note that the Account Owner "Name" field can accommodate up to 25 characters. If the full account owner name should exceed 25 characters, use abbreviations which best describe the entity. (Do not hesitate to contact the Regulatory Division for guidance).</p>	<p><u>1. ACCOUNT OWNERSHIP</u></p> <p>For the purposes of the LOPR project, the account ownership shall be determined by applying the following subsequent steps:</p> <ul style="list-style-type: none"> A) Person or entity with more than 50% ownership interest in the account; B) Name of the account (e.g. Mr. and Mrs. Smith, ABC Investment club). <p>It is the approved participants' responsibility to determine account ownership based on the information that has been or can be provided by the account owner(s). In case of doubt, approved participants should not hesitate to communicate with the Regulatory Division for assistance in determining whether or not accounts should be considered as having the same owner(s).</p> <p>Please note that the Account Owner "Name" field can accommodate up to 25 characters. If the full account owner name should exceed 25 characters, use abbreviations which best describe the entity. (Do not hesitate to contact the Regulatory Division for guidance).</p>

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<p><u>2. ACCOUNT OWNER ID</u></p> <p>The Account Owner ID field will allow the Division to assign a unique identifier to an account beneficial account in order to aggregate positions through different account numbers across all approved participants for each said account owner.</p> <p>The following guidelines are to be used when populating the Account Owner ID field for LOPR with possible escalation when there is a legitimate unavailability of the required information:</p> <p>A) For an account <u>in the name of an individual</u> or of a registered² or corporate entity owned exclusively³ by this individual :</p> <p>The Account Owner ID unique identifiers which must be used is determined as follows:</p> <ul style="list-style-type: none"> — For Canadian residents: last 4 digits of the Social Insurance Number (SIN); For U.S. residents: Social Security Number (SSN); — For other countries residents: similar number such as, for example, tax identification number. <p>If, <u>and only if</u>, the above identifiers are unavailable, approved participants will be allowed to use one of the following identifiers:</p>	<p><u>2. ACCOUNT OWNER ID</u></p> <p>The Account Owner ID field will allow the Division to assign a unique identifier to an account beneficial owner in order to aggregate positions through different account numbers across all approved participants for each said account owner.</p> <p>The following guidelines are to be used when populating the Account Owner ID field for LOPR with possible escalation when there is a legitimate unavailability of the required information:</p> <p>A) For an account <u>in the name of an individual</u> or of a registered or corporate entity owned exclusively by this individual:</p> <p>1) <u>Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm;</u></p> <p>If, <u>and only if</u>, the above identifier is unavailable, approved participants will be allowed to use the following identifier:</p>

² The term « registered » means a business name that has been registered by an individual in order to reserve that name. A registered entity is not a corporation.

³ An example of a corporation exclusively owned by an individual is a personal holding corporation created for tax or estate planning purposes.

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<p>1) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm.</p> <p>2) Account owner's last name</p> <p>B) For an account belonging to multiple individuals (partnerships, joint accounts, investment clubs, registered entities other than corporations, etc) :</p> <p>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.</p> <p>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 Regulatory Division for guidance on this matter).</p> <p>C) For an account belonging to a corporation other than a corporation 100% owned by one individual (see A) above:</p> <p>1) If the corporation is more than 50% owned by an individual, use the succession of identifiers found in A) above related to</p>	<p>1) Account owner's last name.</p> <p>B) For an account belonging to multiple individuals (partnerships, joint accounts, investment clubs, registered entities other than corporations, etc.):</p> <p>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.</p> <p>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 Regulatory Division for guidance on this matter).</p> <p>C) For an account belonging to a corporation other than a corporation <u>that is</u> 100% owned by an individual, (see A above).</p> <p><u>D) For all other corporate configurations the following is to be observed:</u></p> <p>1) If the corporation is more than 50% owned by an individual, use the succession of identifiers found in A) above related to</p>

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<p>this account owner.</p> <p>2) If the corporation is more than 50% owned by another corporation, use the incorporation number of the controlling corporation</p> <p>3) For other cases, the Account Owner unique identifier that must be used is the incorporation number of the corporation in whose name the account is opened.</p> <p>If, <u>and only if</u>, the above identifiers are not available, approved participants will be allowed to use one of the following identifiers:</p> <p>1) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm.</p>	<p>this account owner;</p> <p>2) If the corporation is more than 50% owned by another corporation, <u>use the following succession of steps to determine the account owner Id:</u></p> <p>I. <u>The CICI/LEI code belonging to the controlling corporation. The CICI code can be obtained by accessing the web portal at https://www.ciciutility.org/.</u></p> <p>II. <u>The incorporation number of the controlling corporation</u></p> <p>3) <u>For other cases, use the following succession of steps to determine the account owner Id:</u></p> <p>I. <u>The CICI/LEI code belonging to the corporation in whose name the account is opened. The CICI code can be obtained by accessing the web portal at https://www.ciciutility.org/.</u></p> <p>II. <u>The incorporation number of the corporation in whose name the account is opened.</u></p> <p>If, <u>and only if</u>, the above identifiers are not available, approved participants will be allowed to use one of the following identifiers:</p> <p>1) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm.</p>

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<p>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 should exceed 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Regulatory Division for guidance).</p> <p>D) For any account not covered in sections A) B) or C)</p> <p>1) Registration number (e.g.: charitable organization)</p> <p>2) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm.</p> <p>3) Account owner legal name. Please note that the Account Owner ID field can accommodate up to 24 characters. If the full account owner legal name should exceed 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Regulatory Division for guidance).</p>	<p>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 should exceed 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Regulatory Division for guidance).</p> <p>E) For any account not covered in sections A), B), or C) <u>or D)</u></p> <p>1) Registration number (e.g.: charitable organization)</p> <p>2) Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm.</p> <p>3) Account owner legal name. Please note that the Account Owner ID field can accommodate up to 24 characters. If the full account owner legal name should exceed 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Regulatory Division for guidance).</p>