



CIRCULAR 187-20
November 10, 2020

SELF-CERTIFICATION

AMENDMENTS TO ARTICLE 6.208 OF THE RULES OF BOURSE DE MONTREAL INC.: EXCHANGE OF FUTURES FOR RELATED PRODUCTS

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 6.208 of the Rules of the Bourse to change the requirement relating to ‘arranging’ an Exchange of Futures for Related Products (“EFRP”) transaction linked to an Approved Person and iterate the obligations of an Approved Participant regarding an EFRP. 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 **November 16, 2020**, before the market opens. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

The amendments described in the present circular were published for public comment by the Bourse on April 27, 2020 (see circular [069-20](#)). 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.

For additional information, please contact Alexandre Normandeau, Legal Counsel, at 514-787-6623 or by email at alexandre.normandeau@tmx.com.

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ANNEX 1 - PROPOSED AMENDMENTS

Article 3.105 Notification of Regulatory Division of Non-Compliance

[...]

(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;
- (viii) Article 6.208 respecting Exchange of Futures for Related Products.

Article 6.208 Exchange of Futures for Related Products

[...]

(f) In all circumstances, an EFRP Transaction can only be arranged by the Approved Participant's Approved Persons. The Approved Participant must achieve compliance with the Regulations of the Bourse and all other applicable legal and regulatory requirements with respect to the execution of an EFRP Transaction under this Article.

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- (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;
- (viii) Article 6.208 respecting Exchange of Futures for Related Products.

Article 6.208 Exchange of Futures for Related Products

[...]

(f) The Approved Participant must achieve compliance with the Regulations of the Bourse and all other applicable legal and regulatory requirements with respect to the execution of an EFRP Transaction under this Article.

Circular 069-20: Summarized comments and responses
“Amendments to Article 6.208 of the Rules of Bourse de Montréal Inc.”

No.	Date comments received	Participant Category	Subject	Summary of comments	Summary of responses
1.	May 27, 2020	IIAC	Unnecessary regulatory burden	<p>The IIAC and its members support the Bourse’s objective that:</p> <p>“When a potential situation is identified as being an unnecessary regulatory burden, consistent with its vision to consider market challenges, the Division endeavours to make an assessment”.</p> <p>We believe the current Proposal is in line with this position.</p>	The Bourse acknowledges the comment.
2.	May 27, 2020	IIAC	Current obligation	<p>The current version of paragraph(f) of Article 6.208 of the Rules of the Bourse states:</p> <p>“In all circumstances, an EFRP Transaction can only be arranged by the Approved Participant’s Approved Persons”.</p> <p>The current obligation relating to EFRP transactions is that only an Approved Person (an employee of an Approved</p>	The Bourse acknowledges the comment.

				<p>Participant or an employee of an affiliate or subsidiary) duly approved under Article 3.400 can 'arrange' (conclude) an EFRP transaction.</p> <p>The Regulatory Division noted that this current requirement "may not accurately reflect the business or operational models of some Participants and/or their affiliates". The IIAC agrees with this view.</p>	
3.	May 27, 2020	IIAC	Comparison to Major Exchanges	<p>Following their comparative analysis to major exchanges (CME, ICE, ASX, EUREX), the Regulatory Division has concluded that these exchanges "impose on the participating firm the responsibility of ensuring that all conditions related to trading EFRP are met. These exchanges do not impose an eligibility requirement on the individual concluding an EFRP, like the one imposed in the Rules on Approved Persons".</p>	N/A
4.	May 27, 2020	IIAC	Proposed Amendments	<p>With this Proposal, as per the Regulatory Division, "Participants will now have the option to adapt their operational model, and consequently establish and maintain a system to supervise the arrangement and execution of an EFRP which is reasonably designed to achieve</p>	N/A

				<p>compliance with the requirements of EFRP transactions in the Rules and with any legislation and regulations that may be applicable to them, its affiliates and/or its clients”.</p> <p>The Regulatory Division also mentions that:</p> <p>“Regarding EFRP transactions, such a supervisory system should include notably written policies and procedures, maintenance of adequate records of supervisory activity in order to ensure that all requirements relating to an EFRP are met, including requirements that may be applicable to the cash/swap leg”.</p>	
5.	May 27, 2020	IIAC	Confusing Wording	<p>Our members wonder about the following sentence: “The Approved Participant must achieve compliance with the Regulations of the Bourse and all other applicable legal and regulatory requirements with respect to the execution of an EFRP Transaction under this Article”. Members wonder what the Bourse had in mind when referring to legal requirements. We are not sure why legal requirements were mentioned in this Proposal.</p>	<p>The term “legal requirements” is used in the Rules to refer to obligations that may apply in other legislations, regulations or rules, in addition to the requirements specified in the Rules of the Bourse.</p> <p>A similar reference is made under article 7.5 (b) (v) of the Rules of the Bourse.</p>

6.	May 27, 2020	IIAC	Position of the Industry	The IIAC and its members support the Proposal. We do believe that the Proposal assists IIAC members by improving operational efficiency, without negative impacts to markets or investors. Furthermore, we believe that harmonization with major exchanges is beneficial for industry participants.	The Bourse acknowledges the comment.
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