

## **GUIDELINES FOR THE APPROVAL PROCESS OF APPROVED PERSONS**

This document is a reference work of the Regulatory Division (the "Division") of Bourse de Montréal Inc. (the "Bourse"). The content of this document does not supersede the Rules of the Bourse (the "Rules") or any other applicable regulations.

The objective of these guidelines is to describe the conditions of eligibility and the approval process of Approved Persons by the Division.

The document is divided into three sections: the first section sets out the relevant provisions of the Rules that apply to Approved Persons; the second enumerates the conditions of eligibility the applicant must satisfy to be approved by the Bourse; and the last section contains a list of questions that every Approved Participant and applicant must ask themselves before filing an application for approval as an Approved Person (the "Application").

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## Rules of the Bourse

### 1. What is an "Approved Person"?

According to article 1102 of the Rules, an "Approved Person" means the employee of an Approved Participant or the employee of an affiliated corporation or subsidiary of an Approved Participant that has been duly approved by the Bourse in accordance with article 7403 of the Rules.

Article 7403 of the Rules states that any person employed by an Approved Participant or an affiliated corporation or subsidiary of an Approved Participant who wishes to have access to the electronic trading system of the Bourse in order to act as an Approved Person in accordance with the Rules must submit the Application beforehand.

All employees of an Approved Participant must be approved to have access to the electronic trading system of the Bourse. An employee of an affiliated corporation or subsidiary of the Approved Participant does not have the obligation to become an Approved Person unless he intends to execute special terms transactions, such as prearranged transactions, block trades and riskless basis cross trades.

Article 6366 B) of the Rules provides that the personnel authorized to act on behalf of a client's account can have access to the electronic trading system of the Bourse without the prior approval of the Bourse. In this particular case, the affiliated corporation or subsidiary of the Approved Participant will be considered as a "client" having direct electronic access (DEA client) authorized by the Approved Participant to transmit orders electronically to the Bourse through the Approved Participant's trading system, using the identifier of the latter. The employee of an affiliated corporation or subsidiary of the Approved Participant, acting in the capacity of a client of the Approved Participant through an access to the electronic trading system of the Bourse in accordance with article 6366 B), is therefore not required to become an Approved Person unless he intends to execute special terms transactions.

Contrary to an employee of the Approved Participant who must be approved to have access to the electronic trading system of the Bourse, an employee of the affiliated corporation or subsidiary of the Approved Participant must be approved if he intends to act as an Approved Person. Notably, this status would allow the employee to execute special terms transactions.

### 2. Who may apply to be an "Approved Person"?

The applicant must be employed by an Approved Participant or its affiliated corporation or a subsidiary. The definition of "Affiliated Corporations and subsidiaries" is found in article 1103 of the Rules. The applicant must prove who his/her employer is to the Bourse (refer to the section on [conditions of eligibility](#)).

The Approved Participant or, as applicable, its affiliated corporation or subsidiary that employs the applicant, must be located in one of the following jurisdictions recognized by the Bourse: Canada, United States, United Kingdom, France, Ireland, Israel and Jersey.

### 3. Why become an "Approved Person"?

The employees of the Approved Participants who wish to have access to the Bourse's trading system have the obligation to obtain the Bourse's prior approval.

The employee of an affiliated corporation or a subsidiary of an Approved Participant does not have the obligation to become an Approved Person to have access to the Bourse's electronic trading system, unless the employee wishes to act as an Approved Person within the meaning of the Rules, particularly to be authorized to execute special terms transactions. In fact, article 6380 of the Rules provides that only the Approved Persons may execute special terms transactions, such as prearranged transactions, block trades and riskless basis cross trades. Moreover, article 6815 of the Rules stipulates that exchanges for related products, such as exchanges for physical (EFP) exchanges for risk (EFR), are trades that may be executed only by Approved Persons.

This employee, as an Approved Person, may also process trade requests from an Approved Participant and its clients and, with the approval of the Approved Participant and the Bourse, the trade requests from the affiliated corporation or the subsidiary of the Approved Participant and its clients.

### 4. How to apply to be an "Approved Person"?

Article 7403 of the Rules stipulates that the Application must be submitted in the form prescribed by the Bourse. The applicant must answer all the questions and provide the documents required by the Bourse. Any omission may delay the review of the Application by the Bourse. The Application must be completed electronically, otherwise it may be rejected.

The Application must be signed jointly by the applicant, the Approved Participant and, where applicable, the affiliated corporation or subsidiary of the Approved Participant that employs the applicant. If the designated representative of the Approved Participant within the meaning of article 3501 of the Rules is not the signatory of the Application, a resolution of the corporation or a relevant excerpt from a resolution of the corporation duly authorizing a representative to sign on behalf of the Approved Participant is required. When the applicant is an employee of an affiliated corporation or a subsidiary of the Approved Participant, a resolution of the corporation or a relevant excerpt from a resolution of the corporation duly authorizing a representative to sign on behalf of the affiliated corporation or the subsidiary of the Approved Participant is required.

The [Application Form as an Approved Person](#), the [Personal Information Form](#) and all the documents required in support of the Application must be duly completed and sent to the Division to the following e-mail address: [reg@tmx.com](mailto:reg@tmx.com). These forms are mandatory for any applicant, regardless of the jurisdiction of the applicant's employer (Canadian or foreign).

The payment of the fees (plus the applicable taxes) must also be sent to the Division. Note that these fees are not refundable, regardless of whether or not the Application is approved.

Any employee of an Approved Participant and, as applicable, any employee of an affiliated corporation or subsidiary of an Approved Participant wishing to be approved by the Division is required (i) to enroll in the [training required by the Division](#) according to the products he is authorized to trade and (ii) to pay the related fees. A [Training Certificate Form](#) must then be completed and signed by the applicant, confirming that the applicant has read and understood the content of the course(s) and is committed to comply with the Rules.

It should be noted that the Approved Person status granted to an applicant by the Bourse does not release the Approved Participant and the applicant from ensuring that all requirements related to the applicant's registration are respected (e.g. IIROC, FCA, FINRA), and in no way constitutes an exemption from them. Approval by the Bourse as an Approved Person differs from the registration requirements issued by the competent securities authorities in the jurisdictions where the Approved Participants and their affiliated corporations or subsidiaries are located (refer to the next section discussing the conditions of admission).

#### 5. What are the obligations attached to the status of "Approved Person"?

Article 7407 of the Rules provides that the Approved Participant is responsible for all acts and omissions of any Approved Person, as defined in article 1102. Any act or omission on the part of an Approved Person that could constitute an offence against any rule, policy or procedure of the Bourse will be considered an offence on the part of the Approved Participant.

Moreover, under article 1101 of the Rules, the regulations of the Bourse are binding on the Approved Person, as is the case for an Approved Participant.

More specifically, the Approved Person is required to comply with the obligation of providing any information that could be requested by the Division's personnel. In accordance with article 4001 of the Rules, the Approved Person must submit and give to the Division access to any records, registers, data, data bases, files, documents, papers and information for examination, and allow the Division to obtain a copy on demand.

The Bourse may file a disciplinary complaint against an Approved Person regarding (i) a breach of the regulations of the Bourse or (ii) any act, conduct, unworthy practice or proceeding, inconsistent with just and equitable principles of trade, or detrimental to the reputation of the Bourse or to the interests or the welfare of the public or of the Bourse. This complaint may result in the imposition of disciplinary penalties, the whole in accordance with articles 4101 a) and 4105 of the Rules.

It should be noted that article 4101 b) stipulates that the Bourse may also file a complaint against a former Approved Person, provided an originating notice is served on such person within thirty-six (36) months from the date upon which the person ceased to be an Approved Person.

Finally, in accordance with article 3304 a) or article 3404 a) of the Rules, an Approved Participant must give the Bourse written notice, within a delay of ten (10) business days, of the termination of employment

of an Approved Person. The form prescribed for this purpose by the Bourse can be found on the Bourse's website at the following address: [https://www.m-x.ca/f\\_publications\\_en/Termination\\_notice.pdf](https://www.m-x.ca/f_publications_en/Termination_notice.pdf). The delay of ten (10) business days begins on the business day following the date of termination of employment.

## Conditions of eligibility

Article 3001 of the Rules provides that the Bourse shall give its approval where, in its opinion, the applicant has the necessary competence and integrity.

Thus, before submitting an Application for approval as an Approved Person, it is recommended that the applicant and the Approved Participant ensure that the conditions of eligibility are fulfilled. Non-compliance with one of these conditions automatically leads to rejection by the Division of the Application for approval as an Approved Person. Furthermore, the Application will be deemed to have been abandoned and will be cancelled by the Bourse if the applicant does not provide all the information and documents required by the Bourse within six (6) months after the date of filing of the application with the Division.

1. The applicant must be an employee of the Approved Participant or of an affiliated corporation or subsidiary of an Approved Participant.

A relationship of employment must exist between the applicant and an Approved Participant or an affiliated corporation or subsidiary of an Approved Participant. If the applicant's employer is an affiliated corporation or a subsidiary of an Approved Participant, the corporate structure must be explained and the list of the major shareholders must be provided.

An applicant acting as a consultant, subcontractor or service provider on behalf of an Approved Participant or of an affiliated corporation or subsidiary of this Approved Participant does not satisfy this condition of eligibility.

2. The Approved Participant and, if applicable, the affiliated corporation or the subsidiary of the Approved Participant, must be located in a jurisdiction recognized by the Bourse.

The Approved Participant or, as applicable, the affiliated corporation or subsidiary of the Approved Participant that employs the applicant, must be located in one of the jurisdictions recognized by the Bourse: Canada, United States, United Kingdom, France, Ireland, Israel and Jersey.

For example, employees of an affiliated corporation or a subsidiary of an Approved Participant located in Singapore or Hong Kong may not be admitted as Approved Persons by the Bourse.

3. An employee of the Approved Participant or, as applicable, of the affiliated corporation or the subsidiary, must be competent.

- (i) The applicant must be approved, authorized and/or registered with every competent legislative authority.

To determine whether an applicant has the necessary competence, the Bourse requires that the applicant be approved, authorized and/or registered with the legislative authority or authorities that may have jurisdiction, particularly based on the place where the Approved Participant is located and/or, as applicable, the place where the affiliated corporation or the subsidiary of this Approved Participant that employs the applicant is located.

The Approved Participants and Approved Persons, as well as their representatives, have the responsibility to act in compliance with the laws and regulations that apply in all the relevant jurisdictions, including their local jurisdiction and in Canada, and should obtain the necessary legal opinions when they are considering entering orders on the Bourse, whether from Canada or from outside of Canada. Among the considerations to take into account, the Approved Participants who wish to register employees of an affiliated corporation or a subsidiary as Approved Persons must comply with the registration requirements applicable in their local jurisdiction, in Canada or in any relevant jurisdiction. The requirements regarding the registration of professionals from the financial sector in Canada are determined by the securities regulatory authority in each province and territory, and the Investment Industry Regulatory Organization of Canada (IIROC).

It should be noted that when the applicant benefits from an exemption from or waiver of registration or approval, the applicant must refer to the provisions of any applicable law or regulation and provide the Bourse with any relevant documentation. As applicable, the applicant must produce any document certifying an exemption or a waiver in force at the time of filing of the Application for approval.

A false or misleading statement may result in disciplinary penalties or the suspension or revocation of approval as an Approved Person.

- (ii) The applicant must certify having taken the training offered by the Bourse.

Any applicant, whether employed by a Canadian or foreign Approved Participant, or by an affiliated corporation or a subsidiary of this Canadian or foreign Approved Participant, must enroll in the course(s) offered by the Bourse. Subsequently, the applicant must complete and certify having read and understood the content of the course(s) and being committed to comply with the Rules.

Depending on the certification and the course(s) taken, the applicant becomes qualified to trade and execute transactions for the products for which the training offered by the Bourse has been completed:

- (i) futures and options on futures contracts and/or (ii) equity, index, currency and bond options.

At the time the approval is granted, the Bourse clearly identifies in a written communication the products for which the applicant is authorized to trade. An Approved Person who trades any product without prior authorization risks disciplinary action. It is the Approved Participant's responsibility to have oversight and control measures in place to prevent an Approved Person from trading or executing transactions for products for which the Approved Person is not authorized.

4. The applicant has the necessary integrity.

To determine if the applicant has the necessary integrity, the Division must be informed and study any disciplinary, penal and/or criminal background of the applicant. As applicable, the applicant must provide the Division with written observations and/or any relevant document detailing disciplinary, penal and/or criminal background or any offence for which there was a conviction.

The existence of a disciplinary, penal and/or criminal background does not necessarily lead to the automatic rejection of the Application. This may be the case if this background or conviction is related, in particular, to trading of securities and/or derivatives.

## Questions to ask

The Division wishes to share a non-exhaustive list of questions that the Approved Participant and the applicant should ask themselves in order to determine whether the conditions of eligibility to become an Approved Person are fulfilled. The Division believes that these questions can provide guidance to the Approved Participants and the applicant in the preparation of an Application.

1. Is the applicant employed by an Approved Participant or an affiliated corporation or subsidiary of an Approved Participant?
2. Is the applicant's employer located in one of the jurisdictions recognized by the Bourse?
3. Is the applicant registered with a securities or derivatives regulatory authority? If not, does the applicant benefit from an exemption from or waiver of registration or approval under any applicable law or regulation?
4. Has the applicant provided a certificate confirming having taken the training offered by the Bourse?
5. Does the course or do the courses completed correspond to the derivatives the applicant wishes to trade on the Bourse?
6. In light of the answers provided in the *Application Form as an Approved Person*, does the applicant satisfy the integrity requirements?
7. Were the Application Form as an Approved Person, the Personal Information Form and all the documents required in support of the forms mentioned sent to the Division within six (6) months of the date of filing of the application with the Division?
8. Are the signatures of the applicant, the authorized representative of the Approved Participant and, if applicable, the authorized representative of the affiliated corporation or the subsidiary of

the Approved Participant affixed in the required places on the forms and attachments in support of the Application?

9. Has the approval fee in the amount of \$125 (plus taxes) been paid?

In this document, the use of the masculine to designate persons has no other purpose than to lighten the text.