

RULE FOUR
INVESTIGATIONS, DISCIPLINE AND APPEALS

Section I
Inspection and Investigation

4001 Information

(16.10.89, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

Approved participants, their employees and approved persons must comply with the obligation to provide information as set forth in this Section I.

Upon the request of the Regulatory Division or of one of its representatives, these persons must provide forthwith all information related to their business, trades, positions or conduct as well as to the identity, business, trades or positions of any of their customers and employees and customers of persons for whom they provide account maintenance services. To this end, these persons must submit and give to the Regulatory Division access to any records, registers, data, data bases, files, documents, papers and information for examination, and allow the Regulatory Division or its representative to obtain copy thereof on demand.

For the purposes of any investigation or examination, the Regulatory Division or its representative may obtain such information from any source whatsoever, including any of the customers of any approved participants.

The Regulatory Division may at any time make available to any other exchange or securities commission or similar authority any report or information of the sort described in this article. For that purpose, the Regulatory Division may, on behalf of the Bourse, enter into agreements with any person or entity, in Québec or outside of Québec, for the sharing of information.

The obligation to inform extends to officers, partners, directors, employees and auditors of any approved participant and also entails the obligation to appear before the Bourse at the time and place indicated by the Regulatory Division.

Compliance with the provisions of this Section I shall not create any liability towards any other approved participant, employee of an approved participant, approved person, or client.

4002 Notice of Non-Compliance

(11.03.85, 11.03.92, 15.03.05, 02.09.11; 16.07.12, 01.12.17, 19.07.18)

1. An Approved Participant must immediately notify the Regulatory Division in the event that this Approved Participant or any of its Approved Person:

- a) fails to be able to continue to meet its obligations;
- b) becomes insolvent;
- c) commits an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (R.S.C., 1985, c. B-3); or
- d) becomes a debtor company within the meaning of the *Companies' Creditor Arrangement Act* (R.S.C., 1985, c. C-36).

2. 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 6366 B) possibly violated the Rules, Policies and trading Procedures of the Bourse pertaining to:

- a) article 6305 respecting front running;
- b) article 6306 respecting manipulative or deceptive methods of trading;
- c) article 6310 respecting best execution;
- d) article 6366 respecting access to electronic trading;
- e) articles 6374 and 6379 b) paragraph 2 respecting management of priorities;
- f) article 6380, including 6380a to 6380f, respecting transactions required on Bourse facilities;
- g) article 6816 respecting off-exchange transfers of existing futures contracts.

3. If upon the completion of the review provided for in paragraph 2, an Approved Participant concludes to a possible violation of any of the obligations, prohibitions or requirements listed in paragraph 2, it must notify the Regulatory Division in the prescribed manner within ten (10) business days following the date on which it reached such conclusion.

4. Any review made in accordance with this article, regardless of the conclusion, must be recorded in writing and adequately documented. Records must be kept for a period of at least seven (7) years as of the date of the conclusion of the review and must be made available to the Regulatory Division upon request.

5. The obligations of an Approved Participant provided for in this article are in addition to the other obligations stipulated in the Rules, Policies and trading Procedures of the Bourse, notably with regards to supervision and, in any case, shall not prevent the Bourse from undertaking disciplinary measures against an Approved Participant or an Approved Person.

4003 Special Inspection or Investigation
(11.03.85, 11.03.92, 15.03.05, 01.12.17)

Without in any way limiting the powers conferred upon the staff of the Bourse by article 4001, the Special Committee or the Vice-President of the Regulatory Division of the Bourse may in their absolute discretion, at any time, direct a special examination or investigation to be made in respect of the conduct, the business or affairs of an approved participant or an approved person.

4004 Summary Proceedings
(11.03.92, 15.03.05)

If, following an examination or investigation or by reason of any information otherwise obtained by the Bourse, it appears that circumstances so warrant, the Special Committee may proceed by way of summary proceedings in accordance with the provisions of articles 4301 and following of this Rule.

4005 Failure to Provide Information or to Appear
(11.03.85, 11.03.92, 15.03.05, 01.12.17)

Any approved participant or approved person who refuses or neglects to provide information in the manner prescribed in this Section I or who fails to attend a hearing after having been given notice thereof, may be suspended without any notice, hearing or formality by the Special Committee until the required information has been provided or an attendance made as set out in the summary proceedings provided for in articles 4301 and following.

4006 Costs and Expenses
(11.03.85, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

The costs and expenses paid or incurred by the Regulatory Division in connection with any examination or investigation instituted pursuant to the provisions of articles 4001 or 4003 and all proceedings relating thereto or steps taken as a result thereof shall be a debt owed to the Bourse by the approved participant or approved person who must pay the amount thereof upon demand.

4007 Information to other organizations
(05.02.98, 15.03.05, 02.09.11)

Upon request from any recognized organization to provide information in connection with an investigation being carried out by such organization and subject to the legislation relating to the protection of personal information, each approved participant must submit the requested information directly to the organization making the request and this, in the form and manner prescribed by that organization, including electronically.

For the purposes of this article, the term “recognized organization” means an exchange, a self-regulatory organization, a securities commission or any similar authority, to whose jurisdiction the approved participant is subjected in any manner or with whom the Bourse has entered into an agreement for the sharing of information.

Section II
Standards of Conduct
(abr. 15.03.05)

4051 Standards of Conduct
(11.03.85, 11.03.92, abr. 15.03.05)

4052 Disclosure of Conflicting Interests or Contrary Views
(11.03.85, 11.03.92, abr. 15.03.05)

Section II
Disciplinary and Other Matters
Subject to Hearings

A. Complaints

4101 Complaints
(11.03.85, 11.03.92, 15.03.05, 29.03.06, 01.12.17)

- a) The Bourse, an approved participant or an approved person may, in accordance with the procedures provided in articles 4151 and following, file a complaint against an approved participant or an approved person, in respect of:
 - i) a breach of the regulations of the Bourse;

- ii) any act, conduct, practice or proceeding unbecoming an approved participant of the Bourse or an approved person, 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,

whether or not such act, conduct or proceeding is related to dealings or transactions on the Bourse.

- b) The Bourse may also file a complaint of the type described in paragraph a) above against a former approved participant or 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 participant or an approved person.

This provision is in addition to the powers the Bourse may hold and choose to exercise pursuant to powers delegated by a securities commission.

- c) Without in any way limiting the generality of the foregoing, the following actions of an approved participant or, approved person shall be deemed an act, conduct, practice or proceeding covered by sub-paragraph a) ii) of the present article:

- i) misleading or attempting to mislead the Bourse on any material point;
- ii) breaching any statute or regulation related to the trading of securities or derivative instruments;
- iii) indiscriminate or improper solicitations of orders, either by telephone or otherwise;
- iv) using high pressure or other sales tactics of a character considered undesirable according to the standards of the industry;
- v) using or knowingly participating in the use of any manipulative or deceptive methods of trading, including those set out in article 6306 of the Rules of the Bourse;
- vi) breaching any provisions of the Code of Ethics and Conduct for Registered Representatives, included in the Conduct and Practices Handbook Course, published by the Canadian Securities Institute.

- d) The Disciplinary Committee or the Special Committee shall, in accordance with this Rule, decide whether an act, conduct, practice or proceeding is of the sort described in sub-paragraph a) ii) of the present article.

4102 Disciplinary Committee

(11.03.92, 15.03.05, 02.09.11)

- a) A committee known as the Disciplinary Committee is constituted pursuant to the provisions of this article to hear complaints brought under article 4101, as well as to accept or reject offers of settlement pursuant to articles 4201 and following.
- b) The Disciplinary Committee is comprised of three persons named by the Vice-President, Legal Affairs (Derivatives), who shall select two of them among the persons mentioned in sub-paragraph a) of article 4103 or among the members of the Special Committee, and one among persons mentioned in sub-paragraph b) of article 4103.

4103 List of Designated Persons

(22.03.88, 11.03.92, 15.03.05)

The Bourse maintains a list of persons eligible to sit on a Disciplinary Committee. This list and any change thereto must be approved by the Special Committee.

The list shall consist of:

- a) Individuals:
 - i) who are directors, officers or partners of approved participants; or
 - ii) who are retired from the securities industry and who were previously directors, officers or partners of an approved participant.
- b) at least two (2) individuals who are related neither to an approved participant, nor to the Bourse.

4104 Solemn Affirmation

(11.03.92, 15.03.05)

Before a hearing, each persons designated to hear the case must make a solemn affirmation to the effect that:

- i) to her knowledge, there is no legitimate grounds for her recusation as provided in paragraphs 1 to 10 of article 234 or in article 235 of the Code of Civil Procedure; and
- ii) she will not reveal or make known, without being authorized by law, anything whatsoever of which she takes cognizance in the performance of her duties.

4105 Disciplinary Penalties

(11.03.85, 11.03.92, 18.10.00, 15.03.05, 02.09.11, 01.12.17)

In finding any approved participant or approved person guilty pursuant to a complaint therein made, or of some lesser and included offence, the Disciplinary Committee or the Special Committee may, with respect to each offence, impose any one or more of the following penalties or orders :

- a) a reprimand;
- b) a fine not exceeding \$ 1,000,000;
- c) the suspension or the revocation of the rights as an approved participant or approved person for such period and upon such conditions, including conditions of reinstatement, as the Committee may determine;
- d) the prohibition to obtain an approval for the time and upon such conditions determined by the Committee, including the conditions for the release of such a prohibition.
- e) the expulsion of the approved participant;
- f) the making of restitution to any person who has suffered a loss as a result of the acts or omissions of a person under the jurisdiction of the Exchange;

- g) the obligation to take one or more courses given by the CSI Global Education Inc. or any other course deemed appropriate;
- h) the reimbursement in whole or in part of the costs and expenses (including professional fees) paid or incurred by the Bourse in connection with the complaint and the matters out of which it arose including all investigations, hearings, appeals and other proceedings before or after the complaint.

These penalties and orders shall be in addition to such other action as the Bourse may take pursuant to any other provision of its regulations.

4106 Costs and Expenses

(11.03.85, 11.03.92, 18.10.00, 15.03.05, 02.09.11)

Where the Regulatory Division conducts an investigation following a complaint that was made, or information that was provided by a person under its jurisdiction and determines that the complaint or information was frivolous or unfounded, the Bourse may recover the costs of the investigation from that person.

B. Proceedings

4151 Originating Notice

(11.03.85, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

- a) The Bourse must serve an originating notice on any person who is directly concerned whenever, as a result of an investigation or otherwise, it:
 - i) decides to initiate disciplinary proceedings pursuant to articles 4101 and following;
 - ii) intends to deny granting an unconditional approval to a partnership or corporation as an approved participant or an unconditional approval of a person;
 - iii) proposes to revoke, suspend or amend any of the rights or privileges of an approved participant or of an approved person;
 - iv) proposes to exercise the powers delegated to it by a securities commission or other regulatory organization.
- b) The originating notice must contain:
 - i) a reference to the regulatory provisions governing the matter;
 - ii) a summary statement of the facts alleged and intended to be relied upon by the Regulatory Division and the conclusions drawn by the Regulatory Division based on the alleged facts;
 - iii) a statement of the intent of the Bourse to conduct a hearing of the matter on a date and at a place to be determined in the originating notice or, subsequently, in the notice of hearing;
 - iv) a reminder of the existence of articles 4201 and following;
 - v) a warning that failure to file a reply within the prescribed delay may result in foreclosure from producing any witness at the hearing.

- c) A copy of the originating notice, together with proof of service, shall be filed with the Vice-President, Legal Affairs (Derivatives).

4152 Reply

(11.03.85, 11.03.92, 15.03.05, 02.09.11)

A person served with an originating notice must, within ten (10) business days from the date of service, serve to the Vice-President, Legal Affairs (Derivatives), a reply signed by the person or by an individual authorized to sign on behalf of the person.

The reply must set out specifically for each fact alleged in the originating notice, whether such fact is admitted or denied, and contain a statement of the person's position with regard to the conclusions drawn by the Bourse in the originating notice and a statement of any additional facts relied on by the person.

Failure to file a reply within the prescribed delay may result in foreclosure from producing any witness at the hearing.

4153 Notice of Hearing

(22.03.88, 11.03.92, 15.03.05, 02.09.11)

When by reason of the reply to the originating notice or for any other reason the Regulatory Division determines that a formal hearing is required, the Bourse shall proceed as follows:

After the expiry of the ten (10) business days delay for the service of the reply, the Bourse shall serve a notice of hearing of at least ten (10) business days indicating the date, time and place of the hearing on the persons to whom the originating notice was addressed.

The notice of hearing shall include a statement requiring the person to attend the hearing, failing which the Disciplinary Committee may proceed with the hearing of the matter in that person's absence.

4154 Public Hearing

(11.03.92, 15.03.05, 02.09.11)

All hearings are held in public, except for those pertaining to offers of settlement presented pursuant to articles 4201 and following, which shall only be held in public once such an offer of settlement has been accepted by the Disciplinary Committee.

However, the Disciplinary Committee hearing the matter may, on its own initiative or upon request, order that a hearing be held in camera, in part or in whole, or prohibit the publication or disclosure of specific information or documents, in the interest of good morals or public order, particularly to preserve confidential business information or privileged communications or to preserve an individual's privacy or reputation.

4155 Hearing Procedure

(22.03.88, 11.03.92, 15.03.05, 02.09.11)

- a) Any person on whom an originating notice was served and that person's representatives is entitled to attend the hearing, in person or, if necessary, by way of videoconference, for the purpose of hearing the evidence, cross-examining the witnesses presented by the Regulatory Division, presenting their own witnesses subject to the last paragraph of article 4152, and making representations to the Disciplinary Committee hearing the matter;
- b) Such person may be assisted by a lawyer at the hearing;
- c) If a written report in respect of the matter has been prepared by the Regulatory Division and if the latter proposes to table such report at the hearing, a copy of such report must be given to the parties beforehand;
- d) The Disciplinary Committee may admit as evidence any documentary proof without a witness if the Committee is of the opinion that the rights of cross-examination would not be affected.
- e) In the event of a guilty verdict in disciplinary matters, the parties are entitled to be heard on the penalty to be imposed, unless the Disciplinary Committee has previously ruled that representations on the penalty shall be made prior to its deliberations on the merits.

4156 Testimony

(11.03.92, 15.03.05)

Any person required to testify before the Disciplinary Committee must make a solemn declaration.

4157 Obligation to Answer

(11.03.92, 15.03.05, 02.09.11)

The Regulatory Division has the right to question a person who is subject to a complaint or who is accused of having breached a provision of the regulations of the Bourse as well as to any other person under its jurisdiction, and such person shall be obliged to answer all questions.

4158 Ex Parte Hearing

(22.03.88, 11.03.92, 15.03.05)

If a person notified of the hearing fails to attend the hearing specified in the notice of hearing, the Disciplinary Committee may proceed with the hearing and disposition of the matter on the date and at the time and place set out in the notice of hearing without further notice, and in the absence of the person, even if the person has served a reply in accordance with article 4152.

4159 Deliberations

(11.03.92, 15.03.05)

The deliberations of the Disciplinary Committee hearing the matter must be made in the absence of any other person.

4160 Decision

(11.03.85, 29.04.86, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

- a) The decision of the Disciplinary Committee must be in writing and served on the person concerned.
- b) The Disciplinary Committee must give the reasons supporting its decision.

- c) A notice of the decision must be sent to the complainant, distributed to the approved participants of the Bourse, filed in the records of the Bourse and be made available to the public and the press.
- d) Notice of the decision must be given to such other persons designated by the Disciplinary Committee hearing the matter.
- e) If an offer of settlement is rejected pursuant to articles 4201 and following, the reasons underlying such a decision by the Disciplinary Committee shall not be made public, but shall be made available to the members of the Disciplinary Committee to whom another offer of settlement would be presented.

4161 Report to the Special Committee

(11.03.85, 11.03.92, 15.03.05)

If no appeal has been brought at the expiry of the delay to appeal, the Disciplinary Committee that has conducted the hearing must report thereon to the Special Committee.

C. Settlement

4201 Offer of Settlement

(29.06.87, 11.03.92, 15.03.05, 02.09.11)

The Regulatory Division may negotiate, at any time, an offer of settlement with any person served with an originating notice.

4202 Form of the Offer of Settlement

(29.06.87, 11.03.92, 25.03.94, 15.03.05, 02.09.11)

The offer of settlement must:

- i) be in writing in the form prescribed by the Regulatory Division;
- ii) be signed by the person proposing the settlement; and
- iii) contain the following :
 - a) the provisions of the regulations that have been breached or not complied with, according to the Regulatory Division;
 - b) a statement of the facts agreed upon by the Regulatory Division and the person proposing the offer of settlement;
 - c) the disposition of the matter, including any penalty to be imposed and the amount of costs and expenses of the Regulatory Division to be paid by the person proposing the offer of settlement;
 - d) the consent of this person to the settlement;
 - e) a statement that the settlement must be approved by the Disciplinary Committee or, in the cases provided for in article 4204, by the Vice-President, Regulatory Division, failing which it shall not bind the parties involved, and the Bourse shall proceed with the hearing of the matter; and

- f) a waiver by the person of all rights under the regulations of the Bourse to a hearing or to an appeal should the offer of settlement be accepted by the Disciplinary Committee or, in the cases provided for in article 4204, by the Vice-President, Regulatory Division.

4203 Submission of an Offer of Settlement
(29.06.87, 11.03.92, 15.03.05, 02.09.11)

The offer of settlement must be submitted to the Vice-President, Regulatory Division.

4204 Acceptance by the Vice-President, Regulatory Division
(11.03.92, 15.03.05, 02.09.11)

An offer of settlement of a disciplinary matter may be approved by the Vice-President, Regulatory Division when the penalty to be imposed is a reprimand, a fine not exceeding \$5,000, the penalty provided in paragraph h) of article 4105, or a combination of the three (3). Upon submission of the offer, the Vice-President, Regulatory Division must:

- i) accept the offer of settlement,
- ii) reject the offer of settlement, or
- iii) accept the offer with a lesser penalty than the one agreed upon.

4205 Rejection of an Offer of Settlement
(29.06.87, 11.03.92, 15.03.05, 02.09.11)

In the event that an offer of settlement is rejected by the Disciplinary Committee or by the Vice-President, Regulatory Division, as the case may be, the Bourse must proceed with the hearing of the matter unless the parties involved agree to negotiate a new offer of settlement.

4206 Privilege of an Offer of Settlement
(11.03.92, 15.03.05, 02.09.11)

All discussions in relation with an offer of settlement are without prejudice. No part of such a discussion must be used as evidence or referred to in any proceedings whatsoever.

4207 Acceptance of an Offer of Settlement
(11.03.92, 15.03.05, 02.09.11, 01.12.17)

In the event an offer of settlement is accepted by the Disciplinary Committee of the Bourse or, in the cases provided for in article 4204, by the Vice-President, Regulatory Division:

- i) the matter becomes final and the settlement constitutes a decision;
- ii) there can be no appeal of the matter;
- iii) the disposition of the matter agreed upon in the settlement must be recorded in the permanent records of the Bourse; and

- iv) a notice of the decision must be sent to the complainant, distributed to the approved participants of the Bourse, filed in the records of the Bourse and made available to the public and the press.

D. Fine for Minor Violation

4220 Fine for Minor Violation

(10.05.17)

- a) The Vice-President of the Regulatory Division may in accordance with the procedure provided in articles 4222 and following, for any violation appearing in the *List of Fines for Minor Violations* published on the website of the Bourse, impose a predetermined fine that cannot exceed \$5000 per violation, against an approved participant or an approved person. The violations included in the *List of Fines for Minor Violations* are:
 - i) Incomplete or inaccurate report pertaining to the accumulation of positions for derivatives instruments (article 14102(1));
 - ii) Exceeding position limits (article 14157);
 - iii) Non-compliance with the time limit for reporting an exchange for physical transaction, or an exchange for risk (EFP/EFRP) (articles 6815 h) and 6815A j);
 - iv) Non-compliance with the time of market exposure (article 6380);
 - v) Failure to send a notice of non compliance or a notice of exceeding position limits, within the prescribed time (articles 4002 and 14102(7));
 - vi) Prohibited use of the "hidden liquidity" functionality (article 6380);
 - vii) Granting unapproved access to the automated system (articles 6366 A) and 7403).
- b) The Vice-President of the Regulatory Division, may impose a fine for any violation included in the *List of Fines for Minor Violations* against a former approved participant or former approved person, on the condition that a notice of minor violation is served within the delay provided in article 4101 b).
- c) Notwithstanding the possibility of imposing a fine for a minor violation included in the *List of Fines for Minor Violations* in accordance with paragraphs a), and b) the Vice-President of the Regulatory Division, may, at his discretion, choose to file a complaint in accordance with the procedure provided in articles 4151 and following.

4221 Notice of Minor Violation

(10.05.17)

- a) Before imposing a fine, the Vice-President of the Regulatory Division shall serve a notice of a minor violation to the approved participant or the approved person.
- b) The notice of minor violation shall:
 - i) Be in writing;
 - ii) Be signed by the Vice-President of the Regulatory Division;
 - iii) Contain the following items for each violation:
 - a) the alleged violation;

- b) the regulatory provision or provisions related to the alleged violation;
- c) the date of the violation;
- d) a summary statement of the facts on which the violation is based;
- e) the amount of the fine for the violation;
- f) the delay of time provided by article 4222 during which the approved participant or the approved person may submit observations or serve a request for the matter to be heard by a Disciplinary Committee;
- g) a notice that failure to submit observations or a response results in foreclosure from contesting any fine to be imposed.

4222 Observations or Challenge from the Approved Participant or the Approved Person
(10.05.17)

- a) Once a notice of minor violation has been served, the approved participant or the approved person may, within twenty business days:
 - i) Submit observations in writing to the Vice-President of the Regulatory Division. These observations must confirm or refute the facts. As part of the process to impose a fine for a minor violation, a defence of due diligence is neither allowed nor receivable; or
 - ii) Contest the notice of minor violation by serving the Vice-President of the Regulatory Division with a request for the matter to be heard by a Disciplinary Committee in accordance with articles 4102 and following, which request must be accompanied by a response as described in article 4152. In this instance, the notice of minor violation is deemed a complaint under article 4101.
- b) If observations are not submitted and the notice of minor violation is not contested within the prescribed time, the approved participant or the approved person will be deemed to have agreed to pay the fine and to have relinquished all rights under the regulations of the Bourse concerning the hearing and contesting the violation.

4223 Notice of Fine for Minor Violation
(10.05.17)

- a) Upon expiry of the delay provided for in article 4222, and after having considered the observations of the approved participant or the approved person, if any, the Vice-President of the Regulatory Division may impose the fine prescribed in *List of Fines for Minor Violations* on this approved participant or this approved person by serving a notice of a fine for violation or decide not to impose a fine for minor violation. In this case, a notice advising of the closing of the matter will be sent to the Approved Participant or an Approved Person.
- b) The decision by the Vice-President of the Division to impose a fine for minor violation may be appealed to the Special Committee in accordance with articles 4251 and following. A defence of due diligence is neither allowed nor receivable during the appeal before the Special Committee.
- c) The fine for minor violation imposed against the approved participant or the approved person is payable within the ten business days following service of the notice of fine for minor violation.

4224 Publication of Information Regarding Fines Imposed for Minor Violations
(10.05.17)

The Regulatory Division will make information publicly available, on an anonymous basis, regarding fines imposed for minor violations, including the nature of the minor violations, the fines imposed during the period as well as any other information that the Regulatory Division considers relevant.

E. Appeals

4251 Sole Jurisdiction of the Special Committee

(11.03.85, 11.03.92, 15.03.05)

An appeal from a decision of the Disciplinary Committee, any other committee of the Bourse or the staff of the Bourse may be brought before the Special Committee. The members of the Disciplinary Committee who participated to the hearing of the case in the first instance, cannot participate to the hearing of the appeal by the Special Committee.

4252 Delay of Appeal

(11.03.92, 15.03.05)

The appeal must be brought within ten (10) business days of the service of the decision.

4253 Notice of Appeal

(11.03.92, 15.03.05, 02.09.11)

Any appeal of a decision of the Disciplinary Committee, of another committee of the Bourse, or of a member of the staff of the Bourse must be brought by filing a written notice of appeal with the Vice-President, Legal Affairs (Derivatives). The notice must contain a brief statement of the grounds for appeal and be served upon the parties.

4254 Security for Costs

(11.03.92, 15.03.05)

When the appeal appears abusive, dilatory, frivolous, or for some other special reason, the Special Committee may, upon request, order the appellant to furnish, within a set delay, security to guarantee, in whole or in part, the payment of the costs of appeal, the amount of the fine and the costs and expenses listed in article 4106, should the appeal be dismissed.

If the appellant does not furnish security within the prescribed delay, the Special Committee may dismiss the appeal.

4255 Appeal Briefs

(11.03.92, 17.06.98, 15.03.05, 02.09.11)

Within fifteen (15) business days of the filing of the notice of appeal, the appellant must file with the Vice-President, Legal Affairs (Derivatives), a brief containing the appellant's arguments, in nine (9) copies, and must serve another copy on the respondent.

Within fifteen (15) business days of the receipt of the appellant's brief, the respondent must file with the Vice-President, Legal Affairs (Derivatives), nine (9) copies of the respondent's brief and serve another copy on the appellant.

If the appellant fails to file the brief within the above-mentioned delay, the appeal may be dismissed upon application to the Special Committee.

4256 Stay of Execution

(11.03.92, 15.03.05, 01.12.17)

Unless otherwise ordered by the Special Committee, an appeal suspends the execution of the decision of the Disciplinary Committee or of the staff of the Bourse when such decision imposes a penalty other than those provided for under paragraphs c), d), e) and f) of article 4105.

However, the suspension of the rights of an approved participant or approved person, the prohibition to obtain an approval, the expulsion of an approved participant and the revocation of an approval of the Bourse is executory, notwithstanding appeal, unless otherwise ordered by the Special Committee.

4257 Hearing of the Appeal and Additional Evidence
(11.03.92, 15.03.05)

The appeal is argued on the basis of the file in first instance and of the appeal briefs.

However, in exceptional circumstances and if the ends of justice so require, the Special Committee may authorize the presentation of additional evidence.

4258 Applicable Rules
(11.03.92, 15.03.05)

Subject to the provisions of this Subsection D, the same rules as set forth in articles 4153 and following apply to any hearing before the Special Committee, with the necessary changes.

4259 Disqualification
(11.03.85, 11.03.92, 15.03.05)

- a) No officer of the Bourse is eligible to sit at a hearing in first instance or on appeal.
- b) A member of the Special Committee who has any grounds for recusation pursuant to article 4104 is not eligible to sit in appeal from a decision.

4260 Appeal Under the Derivatives Act
(11.03.92, 15.03.05, 02.09.11)

Any appeal from a decision of the Special Committee is governed by the Quebec Derivatives Act.

Section III
Summary Proceedings

4301 Intervention by the Bourse
(11.03.85, 11.03.92, 15.03.05)

- a) Where the Special Committee deems it necessary for the protection of the public and the reputation of the Bourse, it may suspend an approved participant or suspend or revoke approval of any person without following the procedures set forth in articles 4151 and following, provided that the Bourse issues forthwith a notice of hearing and convene a hearing within the following fifteen (15) business days.

- b) Articles 4302 to 4306 provide examples of circumstances which may cause the Special Committee to intervene without notice, but the power of the Special Committee to intervene pursuant to paragraph a) shall not be limited to such circumstances.

4302 Conviction

(11.03.85, 11.03.92, 15.03.05, 01.12.17)

- a) If any approved participant or approved person is convicted of a crime or of an infraction in connection with trading in securities or futures contracts or of an offence under any statute or regulation applicable to securities or derivative instruments, or if any approved participant or approved person has their registration or license under any such statute or regulation suspended or revoked, the Special Committee may, without any notice, hearing or formality whatsoever, suspend the approved participant or approved person and withdraw the approval of such approved person pending the completion of all appeal proceedings relating to such conviction, suspension or revocation;
- b) if no appeal is launched within the prescribed delay from such conviction, suspension or revocation, or if such a conviction, suspension or revocation is made or upheld in appeal, the Special Committee may thereupon, without any notice, hearing or formality whatsoever, suspend or expel such approved participant and suspend or revoke the approval of such approved person.

4303 Expulsion or Suspension by Another Exchange

(11.03.85, 11.03.92, 15.03.05, 01.12.17)

If any approved participant or approved person is suspended, expelled or has their approval suspended, withdrawn or revoked by another exchange or self-regulatory organization, the Special Committee may suspend or expel such approved participant or suspend or revoke the approval of such approved person, provided that the Bourse shall forthwith issue a Notice of Hearing and convene a hearing within the following fifteen business (15) days.

4304 Failure to Provide Information or to Appear

(11.03.85, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

If any approved participant, employee of an approved participant or approved person refuses or neglects to provide information or to appear in the manner prescribed by the regulations of the Bourse, the Special Committee may without any notice, hearing or formality whatsoever, suspend the approved participant or approved person until the information has been provided or the appearance has been made.

4305 Interim Orders for Unsatisfactory Financial Condition or Practices

(11.03.85, 14.08.90, 11.03.92, 15.03.05, 02.09.11, 01.12.17)

- a) Notwithstanding anything to the contrary contained in any other provision of the regulations of the Bourse, if following any inspection or investigation with respect to the business, affairs or conduct of an approved participant or approved person, whether made pursuant to the regulations of the Bourse, the applicable legislation or otherwise, or if, on the basis of any reliable information otherwise obtained by or given to the Regulatory Division, it is established that:
- i) such approved participant is insolvent or does not have the risk adjusted capital required under the regulations of the Bourse;

- ii) the financial or general condition of such approved participant or approved person is such that it is or may become detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public;
- iii) the system of book or record keeping or accounting used by such approved participant is unsatisfactory; or
- iv) the methods or practices adopted by such approved participant or approved person in carrying on business may be detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public;

the Special Committee may impose without any notice, hearing or formality whatsoever, one or more of the interim orders described in paragraph b) hereunder.

b) The interim orders that may be imposed pursuant to paragraph a) are:

- i) the suspension of the approved participant or of any of the rights and privileges of the approved participant or, approved person for a period and upon the terms and conditions, if any, determined by the Special Committee;
- ii) the suspension or amendment of the terms and conditions of a previously granted approval;
- iii) the imposition of any terms and conditions that must be satisfied by a person to continue as an approved participant or approved person; or
- iv) the imposition of any other terms, conditions or instructions deemed appropriate in the circumstances including, without limitation:
 - 1. restricting one or more sectors of the approved participant's operations;
 - 2. requiring the attendance at the approved participant's premises, for the surveillance of its trading activities on the derivatives instruments listed on the Bourse, of employees or representatives of the Bourse;
 - 3. requiring the mailing of notices to clients in terms specified by the Regulatory Division.

c) If interim orders are imposed pursuant to the above paragraph b), the Bourse must issue a notice of hearing to be held within fifteen (15) business days following the Special Committee's decision unless the parties agree to an extension of the delay or to a waiver of the hearing.

d) Interim orders imposed by the Special Committee remain in force until the hearing is held, at which time the orders may be confirmed, set aside or modified.

4306 Defaulters

(11.03.85, 11.03.92, 13.04.99, 15.03.05, 02.09.11, 01.12.17)

a) An approved participant or, an approved person may be declared a defaulter by the Special Committee without any notice, hearing or formality whatsoever in any of the following cases:

- i) the approved participant or the approved person fails to pay on demand any assessment, fee or charge which has become due to the Bourse pursuant to the regulations of the Bourse or its list of

fees, or any other indebtedness to the Bourse, such as a fine, or the costs of a hearing, investigation or surveillance operation;

- ii) the approved participant or the approved person fails to meet or admits or discloses his inability to meet his liabilities or obligations to the Bourse, another approved participant, or to the public;
- b) An approved participant or an approved person who is declared a defaulter by the Special Committee who makes an assignment of his property under the applicable legislation or against whom a receiving order is issued under this same law shall automatically be suspended.
- c) If the cause of such default is not corrected to the satisfaction of the Special Committee within fourteen (14) business days after a person was declared a defaulter, or such other period as the Special Committee may decide, the approved participant may be expelled, or the approval of the approved person may be suspended or revoked by the Special Committee without any notice, hearing or formality whatsoever.
- d) No approved participant shall do business for the account of a defaulter without the written consent of the Special Committee.

4307 Closing Out Contracts Against Defaulters and Bankrupts
(11.03.85, 11.03.92, 15.03.05, abr. 02.09.11)

4308 Reinstatement of Defaulters
(11.03.85, 11.03.92, 15.03.05)

An approved participant who has been expelled may apply to the Special Committee for reinstatement as an approved participant. No one may be reinstated as an approved participant pursuant to the present article, if:

- a) the approved participant was expelled pursuant to a provision of the regulations of the Bourse other than those covered by articles 4301 and following;
- b) the approved participant is insolvent or bankrupt;
- c) the Special Committee is not satisfied that the approved participant is no longer in default of any of its liabilities or obligations;
- d) the application for reinstatement is not approved by the Special Committee.

Section IV
Responsibility

4351 Responsibility of Approved Participants
(11.03.85, 11.03.92, 15.03.05, 02.09.11)

An approved participant may be found liable by the Bourse for the conduct of one of its approved person or employee . The approved participant shall be subject to the same penalties as if it had engaged itself in that conduct and the imposition of any penalty against an approved participant does not prevent the imposition by the Bourse of any penalty against any of the approved persons in respect of the same facts.

4352 Responsibility of Partners, Directors and Officers of Approved Participant

(11.03.85, 11.03.92, 15.03.05, abr. 02.09.11)

4353 Responsibility of Supervising Approved Persons
(11.03.85, 11.03.92, 15.03.05, 02.09.11)

An approved person who has authority over, supervises or is responsible to the approved participant for another approved person or employee of the approved participant may be found liable by the Bourse for the conduct of the approved person or employee under their supervision and shall be subject to the same penalties as if they had themselves engaged in that conduct.

The imposition of any sanction against a supervising approved person does not prevent the imposition by the Bourse of any penalty against the supervised approved person or the approved participant, in respect of the same facts.

Section V
Miscellaneous Provisions

4401 Service
(11.03.85, 11.03.92, 15.03.05, 02.09.11, 11.07.18)

- a) For the purposes of this Rule :
- i) any document required to be served on the Bourse must be addressed to the attention of the Vice-President, Legal Affairs (Derivatives), and delivered by messenger or by registered mail, in either case, with proof of receipt signed by a representative of the Bourse;
 - ii) any document required to be served on any person other than the Bourse must be served by delivering it directly to the person, by messenger or by sending it by registered mail addressed to the person to their latest residence or business address shown in the records of the Bourse;
 - iii) any document required to be served on an approved person who is located outside of Canada may be served on the approved participant or, as the case may be, on a person who is a resident of Québec and appointed as agent for the service of process.
- b) If it is not possible to serve a document in accordance with the requirements of paragraph a) ii), the Bourse may use any other manner of service that is likely to bring the document to the attention of the person.
- c) An affidavit signed by an employee or representative of the Bourse attesting that the service requirements of subparagraph a) ii) have been complied with is sufficient proof of service.

4402 Computation of Delay
(11.03.85, 11.03.92, 15.03.05)

In computing any delay fixed by this Rule, the day which marks the start of the delay is not counted, but the terminal day is counted.

4403 Severability
(11.03.92, 15.03.05)

The powers and procedures provided for in this Rule are to be construed as severable, and the in validity of any provision hereof shall not affect the validity of any other provision of this Rule.

4404 Transitional Provision

(11.03.92, 15.03.05)

The present rules take effect immediately but shall not apply to any matter in which a hearing has already begun.

4405 Approved Person

(02.09.11, 11.07.18)

For the purpose of this Rule, the term “approved person” also includes:

- a) the designated representatives who are duly approved pursuant to article 3501; and
- b) partners and shareholders, directors and officers of approved participants and related firms.