

CIRCULAR 018-20

February 5, 2020

COMPLIANCE PRIORITIES AND 2020 REGULATORY DIVISION INITIATIVES

Bourse de Montréal Inc. (the “Bourse”) is recognized by the Autorité des marchés financiers (the “Autorité”) as an exchange and self-regulatory organization. The Regulatory Division (the “Division”) is a separate business unit of the Bourse responsible for carrying out the Bourse’s regulatory functions and operations. The purpose of this circular is to share the 2020 compliance priorities as well as the Division’s ongoing initiatives.

In 2020, the Division wishes to maintain and encourage further collaboration with the various stakeholders in order to foster a compliance culture and protect the integrity of the derivatives markets. It is also important for the Division to carry out its activities in an efficient and transparent manner, particularly by developing and applying rules and policies that take market challenges into consideration. This year, the Division intends to continue soliciting comments from members of the User Group before the publication of FAQs, guidelines or for any other regulatory initiative of the Division.

Compliance Priorities

While conducting its regulatory activities last year, namely inspections, market analyses, investigations, and disciplinary matters, as well as in light of questions, comments and complaints received, the Division has identified certain compliance issues that will be prioritized throughout the year. The Division has also noted that certain regulatory matters identified in the past, remain a challenge for several Approved Participants. The Division therefore invites Approved Participants to pay particular attention to the following items (presented in no particular order) and to ensure that their practices comply with the regulatory requirements :

1. Updating policies and procedures when regulatory amendments come into effect. The Division reminds all Approved Participants of the importance in keeping their written policies and procedures up-to-date to reflect any rule modifications. A Participant should review its policies and procedures on a regular basis considering its business model, structure and risks, to ensure accuracy, completeness and effectiveness. Any change must then be communicated to the Participant’s personnel. (See [article 3.100](#) and [Guidelines for Supervision and Compliance Obligations](#))
2. Establishing and maintaining a supervisory and compliance system which is reasonably designed to enforce regulatory compliance. A supervisory system refers in particular, to all the means, measures, procedures and processes in place to ensure compliance with regulatory requirements. A reasonably designed supervisory system represents an

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obligation of means, that is to take all possible and necessary measures to ensure compliance with the Bourse Rules and applicable laws. Thus, the absence of a process or the sole reference to the Bourse Rules in a compliance manual will not be considered sufficient by the Division. (See [article 3.100](#) and [Guidelines for Supervision and Compliance Obligations](#))

3. Obtaining approval as an Approved Person before granting access to the Electronic Trading System and communicating this information to the Division. The Division continues to observe a level of non-compliance by several Participants. (See [article 3.5 b\) vii](#)), [Guidelines for the Approval Process of Approved Persons](#), [Process for the Approval of Approved Persons - Mandatory Training for Foreign Approved Participants](#) and Disciplinary Decisions)
4. Assigning client identifiers to all clients with direct electronic access (“DEA clients”) in the form and manner prescribed by the Bourse and communicating this information to the Division. All Approved Participants must assign a unique client identifier to each DEA client. Additionally, the Approved Participant must immediately communicate that client identifier and the name of the DEA client to the Division. (See [article 3.5 b\) vii](#)), [Regulation 23-103 Respecting Electronic Trading and Direct Electronic Access to Marketplaces](#), [FAQ](#) and [obligatory form](#))

The Division personnel remains available to answer any questions related to these items or to discuss any regulatory concerns or issues. Furthermore, if additional information or clarification is required, do not hesitate to contact the Division (coordinates may be found at the end of this circular).

Division Initiatives

The Division favors a culture of transparency and openness with its various stakeholders. Below are some initiatives that the Division will pursue during the course of 2020:

1. Maintaining the working group with Approved Participants that discusses opportunities and challenges related to artificial intelligence and machine learning;
2. Continuing to collaborate with Approved Participants and other industry stakeholders regarding the Investment Industry Regulatory Organization of Canada’s proposed provisions respecting client identifiers;
3. Consulting with Participants and other industry stakeholders on the Division’s upcoming regulatory amendment project addressing client identification requirements;
4. Improving the functionality of the Participant Portal, in particular by adding a module for DEA client identifiers and a module for Designated Representatives in connection with the regulatory amendment proposal ([circular 147-19](#));

5. Improving the content of the "Scorecard" relating to the compliance of each Approved Participant (for example, non-compliance with the prescribed deadline for the production of a document, quality of the information transmitted, etc.); and
6. Improving the Division's surveillance tools.

These initiatives will be the subject of a collaborative approach with the various stakeholders, particularly through exchanges and discussions during the Division's User Group meetings.

Lastly, the Division intends to continue publishing a semiannual newsletter to share observed best practices, its most recent observations and general information concerning its regulatory operations, including fines for minor violations imposed during the period.

For more information or for any questions, contact the Regulatory Division, at 514 787 6530 or toll-free in Canada and the US at 1 800 361 5353 ext. 46530, toll-free in Great Britain or France at 00 800 36 15 35 35 ext. 46530, or by email at info.mxr@tmx.com.

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