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<input type="checkbox"/>	Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/>	Technology
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**CIRCULAR**  
January 19, 2011

**LARGE DERIVATIVE INSTRUMENTS OPEN POSITIONS  
REPORTING TOOL PROJECT (LOPR TOOL)**

**CLARIFICATION**

Bourse de Montréal Inc. (the Bourse) issued on January 14, 2011, a technical notice (Technical Notice No. 11-001) and a circular (Circular No. 016-2011) regarding the project for a large open positions reporting tool (LOPR tool). The purpose of this technical notice and of this circular was to provide to all approved participants the technical documents necessary to familiarize themselves with the specifications of the LOPR tool and to start the development and implementation work for this tool (LOPR SAIL Design Business Guide and LOPR SAIL Specifications Guide).

Following some questions received regarding this tool, the Bourse wishes to clarify the following:

- the implementation of the SAIL protocol or of the graphical interface, will be mandatory for **all** Canadian and foreign approved participants. The only permitted exception will be for approved participants that have absolutely no trading activity on the Bourse’s market and who do not foresee any such activity during the current year. These approved participants shall transmit to the Regulatory Division a written exemption request confirming that they have not made, for their own account or for the account of their clients, any transaction in derivative instruments traded on the Bourse during 2010 and that they do not foresee any such transaction during 2011. The exemptions, when granted, will terminate on December 31, 2011 and shall be subjected to a request for renewal every year. Any exemption granted will become null and void immediately when an approved participant benefiting from such an exemption will begin to trade derivative instruments listed on the Bourse or will inform the Bourse of its intent to trade such instruments.

Also, some approved participants arrange to have, in whole or in part, their transactions on the Bourse executed by one or many other approved participants. The fact that an approved participant does not execute itself its transactions on the Bourse will not permit to obtain any exemption. The obligation to file large position reports to the Bourse is upon the approved participant on behalf of whom transactions are executed and not upon the executing broker;

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- there is also a relatively large number of approved participants who, not being a member of the Canadian Derivatives Clearing Corporation (CDCC), have their transactions cleared by a CDCC member. Actually, most of these approved participants rely upon their clearing broker for the periodic filing of their positions reports to the Bourse. Since the clearing broker generally does not know the identity of the cleared approved participant clients, these reports are filed as omnibus accounts.

With the implementation of the LOPR tool, this type of filing will no longer be permitted. Each approved participant will have the obligation to file its own position reports to the Bourse and this for each account (or group of related accounts) exceeding the reporting threshold prescribed by the Bourse<sup>1</sup>. However, it will be permitted for an approved participant to arrange for positions reports continuing to be filed by his clearing broker if the cleared approved participant provides to its clearing broker all the information necessary to allow the clearing broker not only to identify each of the accounts of the cleared approved participant but also to have available all the information that is necessary to complete the identification form for each of these accounts and to transmit them to the Bourse. In other words, a cleared approved participant will be allowed to continue relying on its clearing broker for the filing of positions reports, but only at the condition that it fully discloses the information necessary for the purpose of such filing.

For clearing brokers that are themselves approved participants of the Bourse, this means that the only positions that they will have to report to the Bourse, once the LOPR tool implemented, will be the following ones:

- positions in proprietary accounts of the firm;
- positions in the accounts of the clearing broker clients other than accounts belonging to an approved participant for whom they act as a clearing broker;
- positions in omnibus accounts and proprietary accounts of brokers that are not approved participants of the Bourse; and
- positions for client accounts and proprietary accounts of cleared approved participants having agreed to fully disclose the identity of such accounts.

For any question of a regulatory nature regarding the above matters, please contact Mr. Frank Barillaro, Manager, Market Analysis and Project Management, at 514-871-3595 or by e-mail at [fbarillaro@m-x.ca](mailto:fbarillaro@m-x.ca). Any question of a technical nature should be addressed to the following e-mail address: [lopr@m-x.ca](mailto:lopr@m-x.ca).

Jacques Tanguay  
Vice-President, Regulatory Division

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<sup>1</sup> The reporting thresholds are specified in the Rules of the Bourse and in the characteristics sheets of derivative instruments listed for trading. These thresholds will remain unchanged.