



**CIRCULAR**  
March 26, 2003

**ELECTRONIC DELIVERY OF DOCUMENTS  
AMENDMENTS TO ARTICLES 7455, 14154 AND 14155 AND  
ADDITION OF POLICY C-15**

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the "Bourse") has approved amendments to articles 7455, 14154 and 14155 of the Rules and the addition of Policy C-15, "Electronic Delivery of Documents", to the Rules and Policies Manual of the Bourse. These amendments and the new Policy C-15 become effective immediately.

Considering that technology is an important tool and that electronic delivery of documents must be encouraged as it provides a more cost efficient, timely and widespread manner of disseminating information than the traditional paper regime, the new Policy C-15 sets out guidelines applicable to the electronic delivery of information between approved participants and their clients.

Policy C-15 is divided into two sections, the first concerning the protection of personal information and the second regarding the review of an electronic delivery system. Thus, approved participants sending, through electronic means, personal financial information, such as trade confirmations and statements of account, must take reasonable measures in order to ensure the completeness, the confidentiality and the protection of that information.

Furthermore, before operating an electronic delivery system, approved participants must provide a written notice to the Bourse. This notice must include a description outlining the extent to which the approved participant's electronic delivery system complies with the guidelines contained in National Policy 11-201 issued by the Canadian Securities Administrators, as well as an explanation of any deviation from those guidelines. Approved participants must also include with their written notice to the Bourse the following information and documents:

- the documents to be transmitted electronically and the information contained therein;
- the method of electronic delivery of documents;
- a copy of electronic forms and web site screens to be used by the approved participant;

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- procedures for obtaining the consent of clients and the form of such consent;
- procedures outlining adequate record retention and audit trails;
- back up procedures in the event of a technical failure;
- procedures to address the availability of access to electronic documents by third parties; and
- a list of the situations where it is important that notices to clients be duly acknowledged as well as the back-up procedures put in place to ensure that the notice comes to the attention of the clients.

Articles 7455, 14154 and 14155 of the Rules of the Bourse have been amended in order to allow approved participants to electronically deliver to their clients trade confirmations and statements of account as long as the following conditions are complied with:

- the approved participant must comply with the proposed Policy C-15;
- the customer has authorized, in writing, the approved participant to deliver trade confirmations and statements of account through electronic means;
- the electronic transmission procedure has been approved by the Bourse;
- trade confirmations and statements of account delivered electronically comply with all the regulatory requirements;
- the electronic transmission system can, if necessary, reproduce a copy of the documents delivered electronically.

We wish to remind you that you may now consult the Rules and Policies of the Bourse at [www.m-x.ca/publications/rules](http://www.m-x.ca/publications/rules).

For further information, please contact Ms. Chantal Villeneuve, Legal Counsel, Regulatory Division at (514) 871-4949, extension 360, or via email at [cvilleneuve@m-x.ca](mailto:cvilleneuve@m-x.ca).

Joëlle Saint-Arnault  
Vice-President, Legal Affairs and Secretary

**7455 Confirmation and Statement of Account to Client**

(06.11.89, 01.04.93, 29.10.93, 30.09.94, 02.08.95, 18.02.97, 26.03.03)

- 1) Subject to paragraph 7), the approved participant must promptly furnish to each client a written confirmation of each transaction in securities. This confirmation must at least provide:
  - a) the quantity and description of the securities traded;
  - b) the selling or purchase price;
  - c) whether the approved participant was acting as principal or agent;
  - d) if acting as agent, the name of the approved participant from, or to, or through whom the security was bought or sold;
  - e) the date upon which the purchase or sale took place;
  - f) the amount of the commission, if any, charged in respect of such purchase or sale;
  - g) the name of the registered representative or investment representative or other person instructed by the customer to make the purchase or sale;
  - h) the name of the exchange, if any, on which the transaction took place;
  - i) where the transaction includes non-voting shares, subordinate voting shares or restricted voting shares, these shares must be designated as such on the confirmation and they must not be described as "common";
  - j) for transactions on stripped coupons and stripped bonds:
    - i) the yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped;
    - ii) the yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or stripped bonds such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate are fixed.
  - k) the fees or other charges, if any, levied by any securities regulatory authority in connection with the trade.
- 2) For the purpose of subparagraphs 1) d) and g), a person, a company, a registered representative or an investment representative may be identified in a written confirmation by means of a code or symbol if the written confirmation also contains a statement that the name of the person, the company, the registered representative or the investment representative will be furnished to the customer on request.
- 3) A copy of all confirmations and all statements of account must be retained by each approved participant for 5 years.

- 4) A statement of account must be sent at the end of each month to each client in whose account there have been any transactions recorded (exclusive of entries related to interest and dividends). Additionally, statements must be sent to all clients having open security positions or money balances at the end of each quarter. Quarterly statements must set forth the dollar balance carried forward and security position as of the statement date. Statements must indicate all securities which are segregated or held in safekeeping. In addition, exchange listed non-voting shares, subordinate voting shares or restricted voting shares must be designated as such on the statement and these shares must not be described as "common".
- 5) Every statement of account issued to a client by an approved participant or related company must bear the notation required by paragraph 1 of article 7502.
- 6) Every confirmation and every statement of account issued to a client by an approved participant or related company must contain the following notice:

"Clients' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

- 7) The requirements of the present article may be complied with by delivery of the confirmation of purchase or sale or of a statement of account to the customer by electronic means, provided that the approved participant complies with Policy C-15 and that:
  - i) the client has authorized, in writing, the approved participant to deliver the confirmation or the statement of account by electronic means;
  - ii) the electronic transmission procedure has been approved by the Bourse;
  - iii) the confirmation or the statement of account delivered electronically complies with all other requirements of the present article; and
  - iv) the electronic transmission system can, if necessary, reproduce a copy of the confirmation or statement of account in printed form.

Exemption: Notwithstanding the foregoing provisions of this paragraph, the approved participant is exempt from seeking approval by the Bourse, provided approval is sought from and granted by the self-regulatory organization responsible for the supervision of the concerned approved participant, under the agreement establishing the Canadian Investor Protection Fund.

**14154 A) Confirmation to the Client (ex-14156)**  
(10.03.83, 24.04.84, 28.05.99, 26.03.03)

- 1) The approved participant must promptly furnish to each client a written confirmation of each transaction in futures contracts and in options on futures contract which must at least indicate:
  - a) the date of the transaction and the date of settlement;
  - b) the description of the futures contract or of the option on futures contracts, and the quantity bought or sold;
  - c) the exchange upon which the transaction was made;
  - d) the expiration month and year of the futures contract or, in the case of an option on futures contract, the expiration month and exercise price of the option on futures contract;
  - e) the price at which the futures contract was entered into or, in the case of an option on futures contract, the premium or any consideration;
  - f) whether an opening transaction, an offsetting transaction or a delivery;
  - g) the name of the dealer, if any, used by the approved participant as its agent to effect the trade;
  - h) the name of the approved representative for futures contracts and options on futures contract or other person instructed by the client to execute the trade;
  - i) the amount of the commission, if applicable;
  - j) whether the approved participant was acting as agent or principal, and any other information which may be prescribed from time to time by the Bourse.
  
- 2) Whenever an approved participant has acted in connection with a closing trade in a futures contract or an option on futures contract, he must furnish to the client, in addition to the confirmation required under paragraph 1) above, a statement setting forth the following information:
  - a) the dates of the opening and closing trades;
  - b) the prices of the opening and closing trades;
  - c) the gross profit or loss on the transaction;
  - d) the commission and any other fees;
  - e) the net profit or loss on the transaction;and any other information which may be prescribed from time to time by the Bourse.
  
- 3) For the purposes of subparagraphs g) and h) of paragraph 1), a person, a company, a registered representative or an investment representative may be identified in a written confirmation by means of a code or symbols if the confirmation also specifies that the name of the person, company,

registered representative or investment representative will be provided to the client on request. An up-to-date list of such identification shall be maintained for review by the Bourse.

- 4) A copy of all confirmations must be kept for five years.

**B) Monthly Statement to Clients**

- 1) A statement of account must be sent at the end of each month to each client having an open position in an account. This statement must at least provide:
  - a) the opening cash balance for the month in the client's account;
  - b) all deposits, credits, withdrawals and debits to or from the client's account;
  - c) the closing cash balance in the client's account;
  - d) a description of each position; and
  - e) the price at which each trade was entered into.
- 2) A copy of all monthly statements of account must be kept for five years.
- 3) Every statement of account issued to a client by an approved participant or related company must contain the following notice :

"any free credit balance represents funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business."

In this respect, if on a daily basis the net position in the account of a client has increased in value based on the settlement price for a futures contract on the previous business day, the approved participant carrying such account must upon demand pay the amount of the gain to the client, subject in every case to the right of the approved participant to retain such gain where: a) payment of gain contravenes to other margin, credit or deposit requirements; b) the amount is not important, i.e., \$200 or less; c) it is deemed necessary to secure indebtedness or obligations of other accounts carried by the approved participant for the client.

**C) Mandatory Content**

- 1) With respect to transactions for managed accounts and discretionary accounts, the written confirmation and the monthly statement of account must be sent directly to the person in whose name the account is carried.
- 2) Every confirmation and every statement of account issued to a client by an approved participant or related company must contain the following notice:

"Clients' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

**14155 Electronic Delivery**  
(26.03.03)

Approved participants may deliver to their clients by electronic means the confirmations and the statements of account, provided that the approved participant complies with Policy C-15 and that:

- i) the client has authorized, in writing, the approved participant to deliver the confirmations or the statements of account by electronic means;
- ii) the electronic transmission procedure has been approved by the Bourse;
- iii) the confirmation or the statement of account delivered electronically complies with all other requirements of the Rules and Policies of the Bourse; and
- iv) the electronic transmission system can, if necessary, reproduce a copy of the confirmation or statement of account.

Exemption: Notwithstanding the foregoing provisions of the present article, the approved participant is exempt from seeking approval by the Bourse, provided approval is sought from and granted by the self-regulatory organization responsible for the supervision of the concerned approved participant, under the agreement establishing the Canadian Investor Protection Fund.

**POLICY C-15  
(26.03.03)**

**ELECTRONIC DELIVERY OF DOCUMENTS**

**INTRODUCTION**

Considering that technology is an important tool and that electronic delivery of documents must be encouraged as it provides a more cost efficient, timely and widespread manner of disseminating information than the traditional paper regime, the present Policy sets out the guidelines applicable to the electronic delivery of information between approved participants and their clients.

The intent of this Policy is to set out guidelines while allowing approved participants to determine how they wish to comply with applicable legislation to the delivery of documents to security holders.

**1. Protection of personal information**

- a) Approved participants sending personal financial information, such as confirmations and statements of account, through electronic means must take reasonable precautions to ensure the integrity, the confidentiality, and the security of that information.
- b) Approved participants transmitting personal financial information electronically must tailor those precautions to the medium used to ensure that the information is reasonably secure from tampering or alteration.

**2. Review of an electronic delivery system**

- a) Before operating an electronic delivery system, approved participants must provide a written notice to the Bourse.
- b) This notice must include a description outlining the degree to which the approved participant's electronic delivery system complies with the guidelines contained in the Notice 11-201 relating to the delivery of documents by electronic means and an explanation of any deviation from those guidelines.
- c) The approved participant must also enclose with his notice the following information and documents:
  - i) the documents to be transmitted electronically and the information contained therein;
  - ii) the method of electronic delivery of documents;
  - iii) a copy of electronic forms and Web site screens to be used by the approved participant;
  - iv) procedures for obtaining the client's consent and the form of such consent;
  - v) procedures outlining adequate record retention and audit trails;
  - vi) back up procedures in the event of a technical failure;



- vii) procedures to address the availability of access to electronic documents by third parties;
- viii) a mention of the situations where it is important that notices to clients be duly acknowledged and that back-up procedures be in place to ensure that the notice comes to the attention of the clients.