

**CIRCULAR 028-19**  
February 19, 2019

## **COMPLIANCE PRIORITIES AND 2019 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.

In 2019, the Division wishes to continue working 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 account.

The purpose of this circular is to share the 2019 compliance priorities as well as the Division’s ongoing initiatives.

### **Compliance priorities**

In light of the Division’s observations during its regulatory operations last year – examinations, market analyses and investigations – as well as the questions, comments and complaints it received, the following compliance issues have been identified and will be prioritized throughout the year:

1. Updating policies and procedures manuals after regulatory amendments come into force. The Division reminds all Approved Participants the importance of 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 type of business, structure and risks, to ensure their accuracy, completeness and effectiveness. Any change must then be communicated to the Participant’s personnel. (See [article 3100](#) and [Guidelines for Supervision and Compliance Obligations.](#))
2. Obtaining the approval as an Approved Person before granting access to the Electronic Trading System. The Division continues finding that this regulatory requirement is not complied with by many Approved Participants before granting access to one of their employees. (See [article 3400](#), [Guidelines for the approval process of approved persons](#) and [Mandatory Training for Foreign Applicants.](#))
3. Confirming and documenting, at least annually, that a client having a direct electronic access (DEA) meets the standards established by the Approved Participant, including those of the Regulation respecting electronic trading. More specifically, the Division notes that some Approved Participants omit or fail to, or simply not document that the automated order system used by their DEA client is tested in accordance with prudent business practices at least annually. (See [article 3.5](#) and [Regulation 23-103 respecting Electronic Trading and Direct Electronic Access to Marketplaces.](#))

The Division therefore invites Approved Participants to pay particular attention to these issues and to ensure that their practices are compliant with their regulatory requirements.

### **Initiatives of the Division**

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 the year 2019:

1. Creating a working group with Approved Participants to discuss opportunities and challenges related to artificial intelligence and machine learning;
2. Continue collaborating with Participants and other stakeholders from the industry regarding the Investment Industry Regulatory Organization of Canada proposed provisions respecting client identifiers;
3. Survey all Approved Participants following an examination conducted by the Division;
4. Launch the Participants Portal and enhance its functionalities;
5. Creating a Participant Scorecard to provide each Approved Participant with an overview of its regulatory performance (such as surveillance alerts, quality of the information transmitted, etc.).

These initiatives will involve adopting a collaborative approach with the various stakeholders, including exchanges and discussions at meetings of the Division's User Group.

Lastly, the Division intends to publish 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.

If you would like more information or have any questions, contact the Regulatory Division at 514-787-6530, toll-free in Canada and the U.S. at 1-800-361-5353 ext. 46530, toll-free in Great Britain and France at 00 800 36 15 35 35 ext. 46530, or by email at [info.mxr@tmx.com](mailto:info.mxr@tmx.com).

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