



April 12, 2022

## **Memorandum of Understanding between the Investment Industry Regulatory Organization of Canada and Bourse de Montréal**

The following document summarizes key features of the new Memorandum of Understanding (the "MoU") between the Investment Industry Regulatory Organization of Canada ("IIROC") and Bourse de Montréal Inc. (the "Bourse"), [announced](#) on January 24, 2022 by the Canadian Securities Administrators (the "CSA").<sup>1</sup>

IIROC and the Bourse have released this summary to assist market participants and the public in understanding the MoU. It is provided as a courtesy and does not create any obligations on the part of either IIROC or the Bourse. In the event of any inconsistency between the MoU and this document, the MoU shall prevail.

### **The Parties**

IIROC is the pan-Canadian self-regulatory organization ("SRO") that oversees all investment dealers and their trading activity in Canada's debt and equity markets.

IIROC sets high-quality regulatory and investment industry standards, protects investors and strengthens market integrity while supporting healthy Canadian capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of Canadian dealer firms and their registered employees, and through setting and enforcing market integrity rules regarding trading activity on Canadian debt and equity marketplaces.

The Bourse, Canada's exchange-traded financial derivatives market, is recognized as an SRO and carries on those functions through its Regulatory Division (the "**Regulatory Division**"). The Regulatory Division's mission is to ensure the integrity of the derivatives markets and promote a

---

<sup>1</sup> The CSA is the council of the securities regulators of Canada's provinces and territories and coordinates and harmonizes regulation for the Canadian capital markets.

culture of compliance. As such, it surveils the Bourse's marketplace and ensures compliance with its own rules, rulings, policies, procedures and decisions governing trading activity on the Bourse.

### **The Memorandum of Understanding**

The MoU demonstrates the commitment of the two SROs to take the necessary actions to enable the cross-monitoring of Canadian markets and thereby respond to an observation made by the International Monetary Fund during a Sector Assessment Program (FSAP) Update for Canada. Implementation of the agreement and protocols will enhance market integrity by strengthening the collaborative mechanisms in place and by adding data exchanges and increased collaboration allowing cross-market surveillance.

For several years, under previous MoU, the two SROs have shared information regarding inspections, investigations and the enforcement of rules that govern Canadian market participants. The new agreement expands the surveillance framework to better document these arrangements, as well as establishes a framework for IIROC to engage in cross-market surveillance of Canadian securities and derivatives markets.

The MoU's primary objective is to assist in the development, administration, coordination, and fulfillment of the cross-market surveillance mandate given to the SROs by the CSA.

The MoU includes four protocols establishing the roles and responsibilities of each SRO with respect to (a) cross-market surveillance, (b) investigations and enforcement, (c) data and information sharing, and (d) joint examinations.

### **Cross-Market Surveillance**

The purpose of cross-market surveillance will be to identify, detect, and deter any real or potential unfair cross-market trading practices, trading rule violations and breaches to ensure market integrity and protection of investors. By integrating derivatives, in addition to equities and debts, into its oversight system, IIROC is adding cross-market oversight capacities and the two SROs are consolidating the oversight system.

IIROC is responsible for carrying out all cross-market surveillance activities and procedures and, more specifically:

- Performing cross-market surveillance
- Conducting all data and information analyses
- Performing all assessments and determinations of whether the data and information analyzed is indicative of a potential violation
- Support the SROs in the enforcement process

### **Investigations and Enforcement**

The MoU includes a process that governs the referral of investigation and enforcement activities arising from IIROC's cross-market surveillance activities. In accordance with long-standing

practice, IIROC and the Regulatory Division share information monthly concerning their investigation and enforcement activities involving Canadian participants.

The MoU also provides for the exchange of certain information gathered during the performance of cross-market surveillance to facilitate investigation and enforcement activities. Furthermore, when IIROC and the Regulatory Division investigate an entity that is a participant of both IIROC and the Bourse, they will coordinate their activities.

Finally, an integrated investigation may be conducted if IIROC and the Regulatory Division decide that such an approach is reasonable and feasible.

### **Data and Information Sharing**

In connection with cross-market surveillance, IIROC and the Bourse have established terms for the collection, transfer, sharing, processing, and storage of data.

The MoU establishes the protocols for the collection, sharing and storage of data to enable IIROC to perform cross-market surveillance. Trading data is provided by the Bourse and other regulatory data will be provided by the Regulatory Division. In addition, the Canadian Derivatives Clearing Corporation, as a party to the MoU, will provide IIROC with certain data in its possession.

For its part, IIROC will share all relevant data and information with the Regulatory Division as necessary for the Regulatory Division to fulfill its mandate.

Finally, the MoU contains reciprocal confidentiality obligations for the parties.

### **Joint Examinations**

The MoU establishes a joint examination framework that applies to firms that are both Bourse participants and IIROC dealer members. Joint examinations will be carried out when appropriate, and a participant may decline if they wish. IIROC and the Regulatory Division will solicit participant feedback following joint examinations.

### **For further information, please contact:**

**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 e-mail at [info.mxr@tmx.com](mailto:info.mxr@tmx.com)

**IIROC**, at 514-878-6393 or by email at [surveillance@iiroc.ca](mailto:surveillance@iiroc.ca).