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**CIRCULAR**  
March 31, 2009

## REQUEST FOR COMMENTS

### UPDATING OF RULE THREE OF THE BOURSE – APPROVED PARTICIPANTS

#### Summary

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) has approved the updating of Rule Three of the Bourse. The purpose of this updating is to abrogate or amend numerous articles of this Rule that have become obsolete, considering the Bourse no longer performs any member regulation activities since January 1, 2005.

Comments on the proposed updating of Rule Three of the Bourse must be submitted within 30 days following the date of publication of the present notice, at the latest April 30, 2009. Please submit your comments to:

*Ms. Hanh Ly*  
*Legal Counsel, General Secretariat and Legal Affairs*  
*Bourse de Montréal Inc.*  
*Tour de la Bourse*  
*P.O. Box 61, 800 Victoria Square*  
*Montréal, Quebec H4Z 1A9*  
*E-mail: [legal@m-x.ca](mailto:legal@m-x.ca)*

A copy of these comments shall also be forwarded to the Autorité to:

*Ms. Anne-Marie Beaudoin*  
*Director – Secretariat of L'Autorité*  
*Autorité des marchés financiers*  
*800 Victoria Square, 22<sup>nd</sup> Floor*  
*P.O. Box 246, Tour de la Bourse*  
*Montréal (Quebec) H4Z 1G3*  
*E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)*

Circular no.: 050-2009

## **Appendices**

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established in the Derivatives Act (2008, c.24).

### **Process for Changes to the Rules**

Bourse de Montréal Inc. is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). The Board of Directors of the Bourse has delegated to the Special Committee – Regulatory Division its powers to approve or amend some aspects of the Rules and Policies of the Bourse governing approved participants, among which, the Rules and Policies relating to admission as approved participant, approval of persons, disciplinary matters, management of client accounts and operations. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as established in the Derivatives Act (2008, c.24).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse.



### UPDATING OF RULE THREE OF THE BOURSE – APPROVED PARTICIPANTS

#### I SUMMARY

Following the termination of member regulation activities by Bourse de Montréal Inc. (the Bourse) in reason of the transfer of these activities to the Investment Dealers Association (IDA)<sup>1</sup>, the Bourse wishes to update Rule Three of its Rules. The purpose of this actualization is to abrogate or amend numerous articles of this Rule that have become obsolete as the Bourse is no longer carrying on members regulation activities since January 1, 2005.

The purpose of some of the proposed amendments to Rule Three is to allow the Bourse to maintain in its regulations some requirements that the Bourse considers important, notably the obligation to inform the Bourse when important changes occur in the approved participant's situation.

#### II ANALYSIS

##### A) The Context

Until the end of 2004, two Canadian self-regulatory organizations (SROs) were carrying on member regulation activities, the Bourse, who had under its jurisdiction slightly more than 20 Canadian securities brokers, and Investment Industry Regulatory Organization of Canada (IIROC), who had approximately 175 Canadian securities brokers under its jurisdiction.

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<sup>1</sup> Following its merger with Market Regulation Services Inc. (RS) on June 1, 2008, IDA changed its name to "Investment Industry Regulatory Organization of Canada" (IIROC). This acronym will be used in the present analysis.

In addition to financial compliance and sales compliance matters, the activities of the Bourse related to member regulation also included the responsibility to approve all registered persons employed by the securities brokers that were under the jurisdiction of the Bourse.

During the 2004 summer, the Bourse took the decision, for what regards regulatory matters, to concentrate mainly on the regulation and surveillance of trading activities on its derivative instruments market and to withdraw from the member regulation field. This decision was mainly justified by the fact that in reason of its specialization in the financial derivative instruments market, the member regulation activities carried on by the Bourse were no longer significantly related with the specialization of the Bourse. In fact, most of the securities brokers that were still under the jurisdiction of the Bourse at that time had no trading activities on the derivative instruments market. The Bourse was therefore in a situation where it had to dedicate significant resources for the supervision and examination of securities brokers that did not have any activity on its market and for the approval of persons who, for the most part, were not involved in the trading of financial derivative instruments.

Discussions were therefore initiated with IIROC in order to transfer to this organization all member regulation activities of the Bourse, as well as the responsibilities related to the approval of persons. Following these discussions and the conclusion of an agreement between the parties, the proposed transfer was submitted to the Autorité des marchés financiers (AMF) in December 2004 for approval. This approval was granted by the AMF at the end of December 2004<sup>2</sup> and the transfer of all the concerned activities and responsibilities took place on January 1, 2005.

##### B) Impact of the Transfer of Responsibilities

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<sup>2</sup> See Decision no. 2004-PDG-0223 published in the weekly Bulletin of the Autorité des marchés financiers on January 7, 2005 (vol. 2, no. 1).

The transfer of member regulation activities had only a very small impact for the approved participants of the Bourse who transferred from the jurisdiction of the Bourse to the jurisdiction of IIROC. In fact, most of them were already members of IIROC. For those few that were not IIROC members, IIROC arranged to simplify as much as possible the membership approval process.

From a financial point of view, for the securities brokers that were under the jurisdiction of the Bourse while also being IIROC members, the transfer allowed them to reduce their regulatory costs. The reason is that these brokers had to pay not only regulatory fees to the Bourse in its capacity as examination jurisdiction, but they also had to pay assessments to IIROC as members of that SRO, and this, notwithstanding the fact it was not IIROC that was executing the financial compliance and sales compliance examinations. For these securities brokers, the transfer of member regulation activities from the Bourse to IIROC translated into real savings. For what regards the few securities brokers that were not members of IIROC and that became members when the transfer occurred, this transfer did not have a significant impact on the regulatory costs of these securities brokers, the regulatory fees they were paying to the Bourse being replaced by fees to be paid to IIROC. The Bourse and IIROC then having fees structures that were relatively similar, the financial impact for these securities brokers was not very significant.

From a regulatory standpoint, it can be considered that for the securities brokers that were subjected to this transfer of jurisdiction, there was no impact. Over the years, the Bourse and IIROC had always worked in very close collaboration in order to ensure that their respective regulations, for what regards rules related to financial compliance and sales compliance (including the rules relating to proficiency and approval requirements applicable to approved persons), be identical.

For the Bourse, however, the regulatory impact of such a transfer is important. The Bourse no longer carrying on member

regulation activities, a significant part of its regulations became useless following such transfer since the enforcement of these rules, as well as the examination of compliance with them, were now the exclusive responsibility of IIROC for what regards Canadian approved participants of the Bourse.

The Bourse has therefore initiated a revision of all its Rules and Policies, in order to withdraw all the provisions whose application is no longer the responsibility of the Bourse. A first part of this revision was submitted to the AMF for approval in the spring of 2007<sup>3</sup> and a second part in the spring of 2008<sup>4</sup>.

This revision work consists not only in withdrawing from the regulations the provisions that are no longer relevant, but also in amending the Rules that are maintained in order that they be as well adapted as possible to the vocation and operations of the Bourse and of its approved participants.

The following analysis focuses mainly on the material additions, deletions and amendments that are proposed for Rule Three of the Bourse. Housekeeping amendments are not discussed in detail, unless the context requires further explanation.

### C) Abrogated Articles

With regards to the provisions pertaining to the approval of persons, other than those seeking access to its electronic trading system or designated representatives, the Bourse is no longer responsible for their enforcement with Canadian approved participants, these having to comply with the corresponding regulatory requirements of IIROC. For what regards the foreign approved participants of the Bourse, these Rules were not applicable to them since upon their approval as foreign approved participants, they are exempted from all the provisions relating to the approval of persons,

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<sup>3</sup> See the request for comments circulars issued by the Bourse on April 23 and 24, 2007 (Circulars nos. 058-2007 to 061-2007 inclusively).

<sup>4</sup> See the request for comments circular issued by the Bourse on April 3, 2008 (Circular no. 051-2008).

except for SAM authorized persons and designated representatives.

For all questions that regard the ownership of approved participants, Initial Public Offering (IPO) or related companies, the approved participants of the Bourse must adhere to similar requirements in their respective jurisdictions and, in the specific case of Canadian approved participants, to the corresponding regulatory requirements of IIROC.

Finally, as the concept of trading permit became obsolete when the Bourse demutualized in October 2000 and converted its market to an electronic market, it is proposed to abrogate section VII of Rule Three entirely. However, the Bourse wishes to maintain in its rules, for the time being, the provisions pertaining to restricted permits holders which may be found in section VIII because even though the Bourse no longer issues restricted trading permits, a few holders of such permits still remain.

Therefore, the Bourse proposes to entirely abrogate the following articles.

### Section II – Partnership Approved Participants

- Article 3302 – Partners of Approved Participant Partnership
- Article 3303 – Officers of Partnership Approved Participants

### Section III – Corporate Approved Participants

- Article 3402 – Directors of Corporate Approved Participants
- Article 3403 – Officers of Corporate Approved Participants

### Section III.A – Ownership of Approved Participants

- Article 3422 – Public Ownership
- Article 3423 – Ordinary Debt
- Article 3424 – Lenders

### Section III.B – Procedures of Public Distribution

- Article 3451 – Techniques for distribution
- Article 3452 – Valuations Required
- Article 3453 – Private Sale
- Article 3454 – Other Distribution Procedures
- Article 3455 – Secondary Distributions
- Article 3456 – Audit Committee
- Article 3457 – Investments by Discretionary Accounts
- Article 3458 – Solicitation by Issuer
- Article 3459 – Research Report and Opinion Letters

### Section V – Approved Participants and Their Related Firms

- Article 3601 – Subsidiaries
- Article 3602 – Audit Requirements
- Article 3603 – Cross Guarantees
- Article 3604 – Compliance with the Regulations of the Bourse

### Section VII – Trading Permits

- Article 3801 – Issuance of Trading Permits
- Article 3802 – Trading Permit Required
- Article 3803 – Trading Privileges
- Article 3804 – Additional Trading Permits
- Article 3805 – Assessments, Fees and Charges
- Article 3806 – Registration
- Article 3807 – Revocation - Suspension

## **D) Amended Articles**

### Article 3001 – Bourse Approval

The Bourse proposes to abrogate paragraph b) of article 3001, since the approval of the persons mentioned therein for Canadian approved participants is under the responsibility of IIROC pursuant to equivalent rules of this organization. For what regards the foreign approved participants of the Bourse, these are already exempted from all the rules pertaining to the approval of persons, at the time of their approval by the Special

Committee – Regulatory Division, except for SAM authorized persons and designated representatives.

For the same reasons, the Bourse proposes to amend paragraph d) of article 3001 so that only the approved participants of the Bourse would be subject to the approval requirement mentioned in paragraph a).

### Article 3003 – Criteria of Admission

Considering the proposed abrogation of articles 3801 to 3807 (Section VII – Trading Permits) in reason of the fact that, the Bourse no longer issues trading permits since its demutualization in October 2000 and its conversion to electronic trading, it is proposed to abrogate paragraph c) of article 3003.

### Article 3009 – Assessments, Fees and Charges

It is proposed to withdraw the reference to the clearing corporation found in this article. The Bourse considers that it is up to the clearing corporation, not the Bourse, to impose to its members the obligation to pay assessments, fees or charges.

### Article 3011 – Surveillance and Compliance

The Bourse proposes to modify this article in order to withdraw the corresponding requirements found in the rules of IIROC, and to take into consideration the proposed amendments to article 7416 of the Rules of the Bourse<sup>5</sup>.

### Article 3301 – Business and Constitution of Partnership Approved Participants

Since the approved participants of the Bourse must already obtain prior approvals in their respective jurisdictions, the Bourse proposes replacing the requirement for prior approval of the changes that are mentioned in paragraphs b) and d) of article 3301 by a simple obligation, for all its approved participants, to inform the Bourse of such changes before they occur.

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<sup>5</sup> See Circular no. 051-2008 issued on April 3, 2008.

Finally the Bourse proposes, for the same reasons as those mentioned above, to abrogate paragraphs e), f) and g) of article 3301.

### Article 3304 – Notice to Be Given by a Partnership Approved Participant

Considering the proposed amendments to article 3001 and the abrogation of articles 3302 and 3303, the Bourse proposes to amend article 3304 accordingly.

### Article 3401 – Business and Constitution of Corporate Approved Participants

For the same reasons mentioned above, with regards to article 3301 of the Rules of the Bourse, it is proposed to replace the current prior approval requirement in paragraphs d) and e) of article 3401, by an obligation to inform the Bourse of such changes before they occur.

Moreover, the Bourse proposes abrogating paragraph f) of article 3401, which corresponds to the actual paragraph e) of article 3301 and for which an abrogation is also proposed.

### Article 3404 – Notices of Change to Be Given by Corporate Approved Participants

Considering the proposed modifications to article 3001 and the abrogation of articles 3402 and 3403, the Bourse proposes to amend article 3404 accordingly.

The Bourse also proposes to amend the title of this article, in order to standardize it with the title of corresponding article 3304.

### Article 3421 – Major Position

It is proposed to withdraw, in paragraph 1) of article 3421, any reference to the approval of persons holding a major position for the same reasons as mentioned above for articles 3301 and 3401. It is also proposed to replace this requirement by an obligation to inform the Bourse before the taking of a major position occurs.

However, the Bourse intends to maintain the current requirement in paragraph 2) of this article, which states that the approval of the Special Committee is required where the taking of a major position results in a change of control of the approved participant which is likely to materially affect the approved participant's operations.

Finally, considering the proposed abrogation of articles 3302 and 3402, the Bourse also proposes to abrogate paragraph 3) of article 3421.

### Article 3501 – Appointment of Designated Representatives

The Bourse noticed that it is sometimes difficult and not much practical, for an approved participant, to designate a director or a partner as the designated representative.

In fact, the Bourse and the Special Committee – Regulatory Division already accept the appointment of a senior officer as designated representative. Therefore, the proposed amendments to this article are meant to adapt the applicable requirements accordingly.

### Article 3502 – The Designated Representative Represents the Approved Participant

The amendments proposed by the Bourse intend to reflect the fact that since its demutualization in 2000, the Bourse no longer holds meetings of approved participants.

### Article 3701 – Application for Resignation Approval

It is proposed to amend this article in order to specify that the application for the resignation of an approved participant must be in writing and signed by a director or a senior officer of the approved participant, accompanied, as the case may be, with the payment of the fees required by the Bourse for processing such an application.

### Article 3702 – Information Required for Resignation

It is proposed to abrogate paragraphs i) to iv) of this article and to replace them with a general provision requiring that the application be accompanied by all financial or other information that may be deemed relevant by the Vice-President of the Regulatory Division or that may be required by the Special Committee – Regulatory Division.

Since the Bourse is no longer carrying on members regulation activities, paragraphs i), ii) and iv) are irrelevant because they either relate to capital (paragraphs i) and ii)) or to the segregation of securities. For Canadian approved participants, these questions are now dealt with exclusively by IIROC. Moreover, in most cases, the Canadian approved participants who resign from the Bourse still keep their member status with IIROC and thus remain subjected to the applicable requirements of this organization for what regards regulatory capital and securities segregation matters. In the few cases where a Canadian approved participant resigns from both the Bourse and IIROC, the latter is responsible for these matters.

For what regards foreign approved participants, since they are under the jurisdiction of a regulatory or self-regulatory organization in their home jurisdiction, they are exempted at the time of their approval from the Bourse's requirements for what regards regulatory capital and securities segregation because in their case the rules applicable are those of their home jurisdiction.

Finally, the requirement mentioned in paragraph iii) of article 3702 regarding the information that the Special Committee – Regulatory Division is not abrogated, but simply moved to the first paragraph of this article in order to integrate it to the general requirement of this paragraph.

### Article 3703 – Responsibility for Assessments and Fees in Event of Resignation

Considering the proposed amendments to article 3704, the Bourse proposes to amend article 3703 in the same manner.

### Article 3704 – Termination of Approved Participant Registration after Resignation

For the same reasons as those mentioned for article 3003, it is proposed to withdraw from article 3704 the reference to the registration as a trading permit holder, and to amend the title of this article accordingly.

Furthermore, the Bourse proposes to add to this article a specification that the Special Committee may specify, if necessary, an effective date for the resignation of an approved participant that differs from the actual date of approval of such resignation.

### Article 3706 – Effects of Suspension and Expulsion

It is proposed to modify the third paragraph of this article to reflect the fact that there are no more individual approved participants at the Bourse. The positions targeted in this paragraph are essentially those on a committee or the Board of Directors of the Bourse. These positions may only be filled by physical persons. As approved participants are corporations or partnerships, only their directors, partners, senior officers or employees may be appointed to sit on these committees or the Board of Directors.

Considering the amendments of paragraph b) of article 4101 of the Rules of the Bourse that were implemented on March 29, 2006<sup>6</sup>, it is proposed to amend article 3706 by adding a specific reference to article 4101 in the case of approved participants that are expelled.

### Article 3708 – Effects of Suspension and Revocation of Bourse Approval of Persons other than Approved Participants

For the sake of standardization with article 3706, it is proposed to amend the second paragraph of article 3708 so that it is worded in the same manner as article 3706.

### Article 3954 – Additional Rules

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<sup>6</sup> See Circular no. 061-2006 issued on March 29, 2006

In order to avoid any confusion with the application of paragraph b) of article 4101 of the Rules of the Bourse, it is proposed to add to article 3954 a specific reference to article 4101 with regards to restricted trading permit holders.

Furthermore, since restricted trading permit holders may now only trade as principals, the Bourse proposes to abrogate the last paragraph of article 3954 altogether.

#### **E) Public Interest**

Since the purpose of the abrogations and amendments proposed in this analysis is to update Rule Three of the Bourse and considering that member regulation activities have been transferred to IIROC on January 1, 2005, the Bourse considers that the proposed amendments and abrogations are of public interest.

#### **F) Impact of the Proposed Amendments on Systems**

The Bourse considers that the proposed regulatory abrogations and amendments will have no significant impact on the systems of approved participants, their approved persons, clients or the public in general.

#### **G) Interest of Financial Markets**

The Bourse considers that the proposed abrogations and amendments will not negatively affect the interests of financial markets and will not impose an unnecessary or inappropriate burden upon competition.

#### **I) Other alternatives considered**

No other alternative was considered by the Bourse.

## III COMMENTS

#### **A) Efficiency**



As previously mentioned, the main objective of the proposed abrogations and amendments to Rule Three of the Bourse that are discussed in this analysis, is to update the Rules of the Bourse so that they no longer contain provisions that are now irrelevant in reason of the fact that the Bourse no longer carries on member regulation activities.

### **B) Process**

The first step for the implementation of the regulatory abrogations and amendments that are proposed in this analysis consists in having them approved by the Special Committee – Regulatory Division of the Bourse.

Once approved by the Special Committee, the proposed abrogations and amendments, including this analysis are simultaneously published by the Bourse for a 30 days comment period and submitted to the Autorité des marchés financiers (AMF) for self-certification purposes. The AMF also publishes the proposed amendments and the 30-day request for comments in its weekly bulletin.

Finally, a copy of the abrogations and amendments proposal is transmitted to the Ontario Securities Commission for information.

## **IV SOURCES**

- Circular no. 061-2006 of the Bourse issued on March 29, 2006 – Retention of the Bourse’s Jurisdiction on Former Approved participants, Approved persons or Restricted Trading Permit Holders – Amendments to article 4101
- Rule Three of Bourse de Montréal Inc. – Approved Participants
- Decision no. 2004-PDG-0223 of l’Autorité des marchés financiers issued on December 30, 2004 – Authorization granted to Bourse de Montréal Inc. to renounce to the exercise of functions and powers delegated by the Autorité des marchés financiers – Weekly Bulletin of the Autorité des marchés financiers of January 7, 2005 (Vol. 2, no. 1)
- Rules Manual of the Investment Industry Regulatory Organization of Canada (IIROC)

**RULE THREE  
APPROVED PARTICIPANTS**

**I. General Provisions**

**3001 Bourse Approval**

(16.06.87, 02.10.92, 15.03.05, 00.00.00)

- a) Each approved participant must be approved as such by the Special Committee at the time of admission, and must thereafter comply with the conditions required to remain an approved participant as set forth in the regulations of the Bourse in general. Approved participants may be partnerships (referred to as "partnership approved participants") or corporations (referred to as "corporate approved participants").
- b) ~~The Bourse's approval is required with respect to each partner, director or officer of an approved participant and each person holding, alone or with other investors, a major position in an approved participant, with the result that all persons who either control or are entrusted with the administration of the affairs of an approved participant must obtain the approval of the Bourse and comply with the regulations of the Bourse. If, in the opinion of the Bourse, a person who is not a partner, officer, director or person holding a major position has the power to materially influence the affairs of an approved participant, such person must also obtain the Bourse's approval and comply with such conditions, as the Bourse may deem appropriate in each case.~~
- c) Anyone seeking and obtaining the Bourse's approval thereby undertakes to be bound by the regulations of the Bourse.
- d) The Bourse shall give its approval where in its opinion, the approved participant or approved person, ~~the holder of a major position, the person having the power to materially influence the affairs of an approved participant or in the case of a legal person, its partners, officers or directors have the necessary~~ has the necessary competence and integrity. In the case of an approved participant, the ~~The~~ Bourse must be satisfied that ~~it all such persons will comply with normal business practices recognized by the Bourse and the securities industry and, in the case of an approved participant, that~~ it has available adequate financial resources.

**3002 Foreign Approved Participants**

(08.07.02)

The Bourse can exempt a foreign approved participant from complying with certain requirements of the Rules of the Bourse when it judges that this foreign approved participant is already required to comply with similar or equivalent requirements pursuant to its registration with the competent securities regulator or, if applicable, pursuant to its registration with the self-regulatory organization that is recognized by the said competent securities regulator.

**3003 Criteria of Admission**

(02.10.92, 01.10.00, 15.03.05, 00.00.00)

No one may be admitted as an approved participant unless:

- a) the applicant complies with all the conditions required under articles 3301, 3401 and 3421;

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b) the applicant has signed a declaration in the form prescribed by the Bourse binding the applicant to abide by the regulations of the Bourse and acknowledging that the approved participant's rights shall at all times remain subject to revocation; and

~~e) the applicant be registered as holder of at least one trading permit.~~

### **3004 Obligation of the Foreign Approved Participant** (08.07.02)

A foreign approved participant cannot be admitted as an approved participant unless:

- a) it has appointed a person who is a resident of Québec as agent for the service of process ;
- b) it has entered into an agreement with a member of the clearing corporation.

### **3005 Form of Application** (02.10.92, 01.04.99, 20.09.02)

Application for admission must be made on the form prescribed by the Bourse and must be signed by the applicant.

### **3006 Special Committee Decision** (02.10.92, 15.03.05)

In considering whether it should approve an application for admission as an approved participant, the Special Committee may require whatever information it deems appropriate. It may, in its discretion, require the applicant appears before it. However, before rendering a decision that unfavourably affects the applicant, the Special Committee must give the applicant an opportunity to be heard.

### **3008 Voiding of Application** (02.10.92, abr. 15.03.05)

### **3007 Re-Application or Review of Decision** (02.10.92, 15.03.05)

If the Special Committee rejects an application for admission as an approved participant, at least six months must elapse thereafter before the applicant may again submit an application.

However, if presented with a new fact during this six month period, the Special Committee may review its decision and the provisions of article 3006 shall apply, mutatis mutandis, to the decision to review the application for admission and the review process itself.

### **3008 Suspension or revocation of Bourse Approval** (02.10.92, 15.03.05)

An approved participant who no longer complies with the conditions to be an approved participant provided in the regulations of the Bourse may be suspended or expelled by the Special Committee.

The Bourse's approval of any of the persons referred to in article 3001 may similarly be suspended or revoked by either the Special Committee or the person or persons authorized to give such approval.

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### 3009 Assessments, Fees and Charges

(02.10.92, 15.03.05, 00.00.00)

Each approved participant must pay such assessments, fees and charges, whether special or general, as fixed by the Bourse and which become due and payable to the Bourse ~~or the clearing corporation~~ at such time or times and in such manner as the Bourse directs. Liability hereunder shall not be affected by the dissolution, winding-up, suspension, revocation of any permit or of any approval or expulsion of the approved participant.

The Bourse may levy fees and charges as determined from time to time by the Board of Directors in respect of services or facilities provided by the Bourse.

The Bourse may require, in exceptional circumstances, reimbursement of the professional fees incurred by it for the services of its lawyers and accountants in accordance with their normal hourly rates.

### 3010 Registration

(02.10.92, 15.03.05)

No one may claim to be an approved participant of the Bourse without being registered as such in the register kept for that purpose by the Bourse. Registration as an approved participant shall not occur until all the other conditions of approval have been fulfilled, and such approval shall be deemed to commence upon such registration.

### 3011 Surveillance and Compliance

(18.02.03, 00.00.00)

- A) Each approved participant at the time of its approval and so long as it remains approved, must establish and maintain a system to supervise the activities of each ~~partner, director, officer, registered representative, investment representative,~~ employee and agent of the approved participant, that is reasonably designed to achieve compliance with the Rules and Policies of the Bourse and with any legislation and regulations applicable to securities and derivative products activities. Such a supervisory system must provide, at a minimum, the following:
- i) the establishment, maintenance and enforcement of written policies and procedures acceptable to the Bourse regarding the conduct of the type of business in which it engages and the supervision of each ~~partner, director, officer, registered representative, investment representative,~~ employee and agent of the approved participant that are reasonably designed to achieve compliance with the applicable legislation and regulation;
  - ii) procedures reasonably designed to ensure that each ~~partner, director, officer, registered representative, investment representative,~~ employee and agent of the approved participant understand their responsibilities under the written policies and procedures in subparagraph (i);
  - iii) procedures to ensure that the written policies and procedures of the approved participant are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;
  - iv) sufficient personnel and resources to fully and properly enforce the written policies and procedures in subparagraph I);

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- v) the designation of supervisory personnel with the necessary qualifications and authority to carry out the supervisory responsibilities assigned to them; ~~Each approved participant must maintain an internal record of the names of all persons who are designated as having supervisory responsibilities and the dates for which such designation is or was in effect. Such record must be preserved by the approved participant for seven years, and on-site for the first year;~~
- vi) procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions; ~~Where the supervision is conducted within a branch office and supervisory records are maintained at that location, the follow-up and review procedures must include periodic on-site reviews of branch office supervision and record keeping as necessary depending on the type of business and supervision conducted at the branch office;~~
- vii) the maintenance of adequate records of supervisory activity, ~~including on-site reviews of branch offices, as described in subparagraph vi),~~ compliance issues identified and the resolution of those issues.

~~B) Each partner, director, officer, registered representative, investment representative, employee or agent of an approved participant who has supervisory authority over any partner, director, officer, registered representative, investment representative, employee or agent of an approved participant must fully and properly supervise such partner, director, officer, registered representative, investment representative, employee or agent in accordance with the written policies and procedures of the approved participant so as to ensure their compliance with the Rules and Policies of the Bourse and all other laws and regulations applicable to the approved participant's business on securities and derivative instruments.~~

~~C) A partner, director, officer, registered representative, investment representative, employee or agent of an approved participant may delegate specific supervisory functions or procedures, provided that:~~

- ~~i) the delegation of such functions is not contrary to applicable legislation and regulation;~~
- ~~ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;~~
- ~~iii) the supervisory personnel conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them.~~

### 3012 Business Continuity Plan

(31.07.06)

Each approved participant must establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures must be reasonably designed to enable the approved participant to stay in business in the event of a future significant business disruption in order to meet obligations to its clients and capital markets counterparts and must be derived from the approved participant's assessment of its critical business functions and required levels of operation during and following a disruption.

Each approved participant must update its plan in the event of any material change to its operations, structure, business or location. Each approved participant must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to

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the approved participant's operations, structure, business or location. The Bourse, in its discretion, may require this annual review to be performed by a qualified third party.

### II. Individual Members

(abr. 15.03.05)

#### 3201 Qualifications of Individual Members

(abr. 15.03.05)

#### 3202 Estate of Deceased Individual Member

(abr. 15.03.05)

#### 3203 Activity of Individual Members

(abr. 15.03.05)

#### 3204 Membership

(02.10.92, abr. 15.03.05)

### II. Partnership Approved Participants

#### 3301 Business and Constitution of Partnership Approved Participants

(24.10.94, 15.03.05, 00.00.00)

As long as a partnership remains an approved participant:

- a) it must be formed under a partnership agreement governed by the laws of one of the Provinces of Canada unless it is an approved participant that does not deal with the public in Canada and is registered with a securities commission or another regulatory organization recognized by the Bourse;
- b) it must not be dissolved, liquidate its assets or change its name, nor permit any partner to retire, or effect or permit any change of major position in the partners' interests in the partnership without ~~the~~ prior ~~approval of~~ notification to the Bourse;
- c) its principal business must be that of a broker or dealer in securities or futures contracts and it must trade the products listed on the Bourse to an extent acceptable to the Bourse;
- d) it must not own any major position in any partnership or any corporation without ~~the~~ prior ~~approval~~ notification of ~~to~~ the Bourse;
- ~~e) at least 40% of its partners, which 40% must include:
  - i) partners beneficially owning at least 40% of equity interest in the partnership;
  - ii) partners holding beneficially at least 40% of all voting interest in the partnership;must be industry members;~~
- ~~f) the principal officers must be partners and industry members;~~

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~~g) all persons holding any interest in the partnership must be partners.~~

### **3302 Partners of Approved Participant Partnership**

(08.07.02, 21.08.02, abr. 00.00.00)

~~Each partner of an approved participant partnership at the time of his admission as a partner of such approved participant and so long as he continues to be a partner:~~

- ~~a) must be approved as such by the Bourse, which such approval may be revoked by the Special Committee;~~
- ~~b) must not be an officer or employee of any other approved participant or of an affiliate of any other approved participant;~~
- ~~c) must not be in a situation where he should make an assignment under any bankruptcy and insolvency law or plan that can apply to him and must not have a receiving order against him;~~
- ~~d) must not be engaged in any business which has been disapproved by the Bourse;~~
- ~~e) must not be an officer or employee of a partnership or corporation which is not an approved participant of the Bourse and which carries on the business of a broker, dealer or adviser in securities or futures contracts without the prior approval of the Bourse;~~
- ~~f) must not have authority or control, either directly or indirectly, over any account in securities or futures contracts whether in his name or another name, unless either such account is maintained with the approved participant, or a consent to each such account has been executed on behalf of the approved participant by another partner and that a copy of such document has been filed with the Vice President of the Regulatory Division of the Bourse and he delivers to such other partner, unless waived by this one, statements at intervals not more than one month showing all the transactions since the last such statement for each such account. For the purpose of this paragraph the making of any trade pursuant to his own authority or control shall be considered as having established such an account;~~
- ~~g) must not be a corporation, except with the approval of the Bourse;~~
- ~~h) must be the sole and true absolute beneficial owner of his or her entire interest as shown in the approved participant's partnership agreement; must not permit or effect any change in such interest, and must not sell, assign, transfer, mortgage, hypothecate, charge, deposit as collateral or in any way give any security with respect to his or her interest, without the prior approval of the Bourse;~~
- ~~i) in the case of an industry member, must have satisfied the applicable proficiency requirements outlined in Policy F-2.~~

### **3303 Officers of Partnership Approved Participants**

(15.03.05, 17.06.05, abr. 00.00.00)

- ~~a) Each officer of a partnership approved participant at the time he first becomes an officer and throughout his term of office must comply with article 3302 as required by the context and must comply with the requirements of subparagraphs ii) and iii) in the definition of "industry member" as provided in Rule One.~~

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- ~~b) One officer must be appointed as chief financial officer and this one must, in addition to the requirements provided for in paragraph a) above, comply with the proficiency requirements provided for in section 2A of Policy F-2 of the Bourse.~~
- ~~e) Notwithstanding the preceding paragraph, if the chief financial officer of a partnership approved participant terminates his employment and if the approved participant is unable to immediately appoint another qualified person as chief financial officer, the approved participant may, with the approval of the Bourse, appoint another officer as acting chief financial officer provided that, within 90 days of the termination of the previous chief financial officer,
  - ~~i) The acting chief financial officer successfully completes the proficiency requirements provided for in section 2A of Policy F-2 and is approved by the Bourse as chief financial officer; or~~
  - ~~ii) Another person satisfying the proficiency requirements provided for is appointed as chief financial officer by the approved participant and approved by the Bourse.~~~~

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

### **3304 Notice to Be Given by a Partnership Approved Participant**

(03.11.04, 00.00.00)

Each partnership approved participant must give to the Bourse, within a delay of ten (10) business days, written notice:

- ~~a) i) of the death, retirement, resignation or termination of employment or association for any other cause of any of its partners or officers and, where the notice relates to the termination of employment or association of any partner or officer, all relevant explanations must be given; and~~
  - ~~ii) in the case of the termination of employment of a person approved by the Bourse, the partnership approved participant must give notice to the Bourse, within a delay of The ten (10) business days delay starts on the first business day following the date of such termination of employment and the written notice must be made, as the case may be, in the form prescribed by the Bourse;~~
- b) of any non-compliance with any of the provisions of articles 3301, ~~3302~~ and 3421, ~~as they apply to the partnership approved participant, its partners, officers and persons having a major position in the partnership;~~
- c) of any proposed change in or amendment to any document relating to the partnership agreement or constitution of the partnership or its partners which has been filed with the Bourse or which the Bourse requires to be filed with it;
- d) of all positions taken in a person or entity that is not an approved participant.

### **III. Corporate Approved Participants**

#### **3401 Business and Constitution of Corporate Approved Participants**



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(06.08.90, 24.10.94, 08.07.02, 15.03.05, 00.00.00)

As long as a corporation remains an approved participant:

- a) it must be a corporate entity having as its principal business that of a broker or dealer in securities or futures contracts and it must trade the products listed on the Bourse to an extent acceptable to the Bourse;
- b) it must not be engaged in any business disapproved by the Bourse;
- c) it must be incorporated under the laws of Canada or one of its provinces or territories thereof, unless it is a foreign approved participant;
- d) it must not, without ~~the~~ prior approval notification to the Bourse, change its name, effect or permit any change in its constitution affecting voting rights, dissolve, wind-up, surrender its charter, liquidate its assets or take any step authorizing or with a view to such action, or effect or permit any alteration in its capital structure, including allotment, issue, transfer, re-purchase, redemption, cancellation, subdivision or consolidation of any shares in its capital stock;
- e) it must not issue, incur or become obligated in respect of any option, warrant or agreement creating any obligation to allot, issue or transfer any share of its capital stock without ~~the~~ prior approval notification to the Bourse; but agreements entered into by a corporate approved participant to ensure transferability of its shares to a transferee for whom the approval of the Bourse is not required under this Rule, and whose ownership is permitted under this Rule, do not require approval under this paragraph;
- ~~f) at least 40 percent of the members of the board of directors of a corporate approved participant must be industry members.~~

### 3402 Directors of Corporate Approved Participants

(08.07.02, 21.08.02, abr. 00.00.00)

~~Each director of a corporate approved participant at the time he first becomes a director of such corporate approved participant and throughout his term of office:~~

- ~~a) must have been approved by the Bourse and such approval may be revoked by the Special Committee;~~
- ~~b) must not be in a position where he should make an assignment under any bankruptcy and insolvency law or plan that can apply to him and must not have a receiving order against him;~~
- ~~c) must not be engaged in any business disapproved by the Bourse;~~
- ~~d) must not have authority or control, either directly or indirectly, over any account in securities or futures contracts, whether in his name or another name, unless either such account is maintained with the corporate approved participant or a consent to each such account has been executed on behalf of the corporate approved participant by another director and that a copy of such statement has been filed with the Vice President of the Regulatory Division of the Bourse and he delivers to such other director, unless waived by this one, statements of all transactions made at intervals of not more than one month since the last such statement for each such account. For the purposes of this provision, the~~

~~conclusion of any trade pursuant to his authority or control shall be considered as having established such an account; but this paragraph does not apply to a director who is an outside investor with respect to the corporate approved participant or its holding company and whose investment therein does not contravene this Rule;~~

- ~~e) must, in the case of an industry member, have satisfied the applicable proficiency requirements outlined in Policy F-2 of the Bourse.~~

### **3403 Officers of Corporate Approved Participants**

(15.03.05, 17.06.05, abr. 00.00.00)

- ~~a) Each officer of a corporate approved participant at the time he or she first becomes an officer and throughout his or her term of office must comply, mutatis mutandis, with the provisions of article 3402 and must satisfy the requirements of sub-paragraphs ii) and iii) of the definition of "industry member" provided in Rule One.~~

- ~~b) One officer must be appointed as chief financial officer and this one must, in addition to the requirements provided for in paragraph a) above, comply with the proficiency requirements provided for in section 2A of Policy F-2 of the Bourse.~~

- ~~e) Notwithstanding the preceding paragraph, if the chief financial officer of a corporate approved participant terminates his employment and if the approved participant is unable to immediately appoint another qualified person as chief financial officer, the approved participant may, with the approval of the Bourse, appoint another officer as acting chief financial officer provided that, within 90 days of the termination of the previous chief financial officer,~~

~~i) the acting chief financial officer successfully completes the proficiency requirements provided for in section 2A of Policy F-2 and is approved by the Bourse as chief financial officer; or~~

~~ii) another person satisfying the proficiency requirements provided for is appointed as chief financial officer by the approved participant and approved by the Bourse.~~

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

### **3404 Notices of Change to Be Given by a Corporate Approved Participants**

(03.11.04, 00.00.00)

Each corporate approved participant must give to the Bourse, within a delay of ten (10) business days, written notice of:

- ~~a) the death, winding up or dissolution of any holder of a major position in the corporate approved participant or its holding company;~~

- ~~b) i) the retirement, death, resignation or termination of employment or association for any other cause of any approved person of the corporate approved participant or its parent company and, where the notice relates to the termination of employment or association of any director or officer, all relevant explanations must be given; and~~

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- ~~ii) in the case of the termination of employment of a person approved by the Bourse, ~~the corporate approved participant must give notice to the Bourse within a delay of The ten (10) business days delay starts on the first business day following the date of such termination of employment and the written notice must be made, as the case may be, in the form prescribed by the Bourse;~~~~
- c) any non-compliance with the provisions of articles 3401, ~~3402~~ and 3421 ~~as they apply to the corporate approved participant, its directors, shareholders, officers and persons having a major position;~~
- d) any proposed change in or amendment to any document relating to the constitution, capital or shares of the corporate approved participant or the rights of its shareholders which has been filed with the Bourse or which the Bourse requires to be filed with it;
- e) all positions taken in a person or an entity that is not an approved participant of the Bourse.

### III.A Ownership of Approved Participants

#### 3421 Major Position

(29.04.86, 16.06.87, 11.11.92, 20.09.02, 15.03.05, 00.00.00)

At the time of approval and throughout the term of approval as an approved participant ~~or holding company of an approved participant:~~

- 1) No person may ~~be registered as the owner of hold~~ a major position without ~~being first~~ prior notification approved by to the Bourse. ~~However, approval by the Bourse shall not be required except when the holding of such a major position is part of the ordinary course of activities of the securities business; namely: market making, underwriting, trading of options and futures contracts, error accounts and street name holdings for client accounts.~~
- 2) The prior approval of the Special Committee is required where the taking of a major position results in a change of control of the approved participant which is likely to materially affect its operations.
- ~~3) Every registered holder of a major position in the capital of an approved participant must comply with the criteria of paragraphs a) and following of article 3402 and paragraphs a) and following of article 3302 where the context so requires.~~

#### 3422 Public Ownership

(22.04.86, 29.04.86, 09.05.86, 08.07.02, 15.03.05, abr. 00.00.00)

~~A corporate approved participant other than a foreign approved participant or the holding company of a corporate approved participant other than a foreign approved participant may permit public ownership of its securities, but only with the prior consent of the Bourse, which consent shall be given only if:~~

- ~~a) the distribution is to be carried out in accordance with part III.B of this Rule;~~
- ~~b) the Bourse is satisfied on the basis of an appropriate undertaking, that the applicable provisions of this Rule are being, and will continue to be, complied with by both the corporate approved participant and its holding company;~~

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- ~~e) legally enforceable provisions have been made with respect to:~~
- ~~i) the refusal to issue or transfer securities to any person who has not obtained the approval required by article 3421 in the cases where this article applies;~~
  - ~~ii) the withdrawal of the voting rights attached to all securities owned by a person who holds such securities in contravention of article 3421. Compliance with the provisions of this sub-paragraph is suspended in the case of a corporate approved participant or holding company of a corporate approved participant incorporated under the Quebec Companies Act until it is clearly established that the said provisions are compatible with the said act; and~~
  - ~~iii) the mandatory disposition, repurchase or redemption of any securities owned by a person not permitted to own them, where such disposition, repurchase or redemption is considered necessary or desirable by the corporate approved participant or its holding company or by the Bourse, to achieve compliance with article 3421.~~
  - ~~iv) procedures to ascertain when a contravention occurs of the requirements of article 3421, which procedures must include the filing with the corporate approved participant, at the time of a new issue of securities or a request for transfer thereof, of a declaration in form approved by the Bourse as to the status of the transferee with respect to those requirements.~~
- ~~d) The Special Committee may exempt any corporate approved participant or the holding company of a corporate approved participant from compliance with the provisions of sub-paragraphs ii) and iii) of paragraph c) where these provisions are not allowed under their incorporating law.~~

### **3423 Ordinary Debt** (15.03.05, abr. 00.00.00)

~~Nothing in this Rule limits the ownership of debt of an approved participant or holding company of an approved participant that is not:~~

- ~~a) a subordinated debt; or~~
- ~~b) a restricted security;~~

~~however, if an approved participant or the holding company of an approved participant intends to borrow money on terms whereby the principal amount matures or is renewable or extendable at the option of the approved participant or of its holding company to a date more than twelve months after the borrowing date, the approved participant or its holding company must provide the Bourse with notice of the terms of the borrowing prior to entering into it.~~

### **3424 Lenders** (15.03.05, abr. 00.00.00)

~~Nothing in this Rule limits the issuance by an approved participant or the holding company of an approved participant to an authorized lender:~~

- ~~a) of indebtedness described in article 3423, but such indebtedness may be so issued only with the prior consent of the Bourse; or~~

~~b) of limited participation securities that are not restricted securities.~~

**III.B Procedures of Public Distribution**  
**(abr. 00.00.00)**

**3451 Techniques for Distribution**  
(08.07.02, 15.03.05, abr. 00.00.00)

~~A corporate approved participant, other than a foreign approved participant, or its holding company that intends to permit public ownership of its securities may effect the distribution thereof:~~

~~a) through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, and pursuant to a prospectus or equivalent document containing the information required by applicable securities legislation. Subject to paragraph b) i) hereunder, the corporate approved participant may participate in such a distribution as a member of the selling group;~~

~~b) through a qualified independent agent or best efforts underwriter, or through the issuing corporation (or, where the issuing corporation is a holding company, through the approved participant) effecting the distribution, pursuant to a prospectus or any equivalent document containing the information required by applicable securities legislation and all the valuations referred to in article 3452 when required.~~

~~—A corporation shall be deemed to be effecting the distribution of its own securities if more than 25% of the distribution is made by the corporation or its subsidiary to customers of the corporation or of the subsidiary;~~

~~e) by private sale, in accordance with article 3453; or~~

~~d) by any other procedure permitted under article 3454.~~

**3452 Valuations Required**  
(15.03.05, abr. 00.00.00)

~~A corporation underwriting a public distribution of its own voting or participating securities pursuant to paragraph b) of article 3451, or effecting such a distribution on an agency or best efforts basis through another firm as underwriter, must provide, as part of the prospectus or any equivalent document required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare such valuations (participation in the distribution shall not disqualify an underwriter from preparing a valuation). However, this requirement shall not apply if securities with identical attributes to those being distributed have been listed and traded on a recognized exchange, for not less than six months prior to the date the distribution commences.~~

**3453 Private Sale**

(15.03.05, abr. 00.00.00)

~~Where voting or participating securities are distributed by way of private sale as permitted by paragraph c) of article 3451, the distribution shall be permitted only if arrangements satisfactory to the Bourse (which arrangements must include the execution of an agreement by each investor limiting the resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:~~

- ~~a) the issuing corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus issued under applicable securities legislation, which information must include valuations as described in article 3452 unless securities of the issuer, with identical attributes, have been listed and posted for trading on a recognized exchange;~~
- ~~b) from the date of publication of the information referred to in paragraph a) above and until the date on which trading begins on an organized market, the issuer has complied with the timely disclosure requirements applicable to listed corporations; and~~
- ~~e) after the date on which trading on an organized market begins, the issuer is required by law to comply with the timely disclosure requirements applicable to listed corporations.~~

**3454 Other Distribution Procedures**

(15.03.05, abr. 00.00.00)

~~A corporate approved participant or its holding company may distribute its securities through a transaction such as a take over bid or an amalgamation that will create an organized market in such securities, but only if:~~

- ~~a) the issuing corporation publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information must be published in accordance with terms satisfactory to the Bourse as to:
 
  - ~~i) the stage in the transaction at which prospectus type information will be provided;~~
  - ~~ii) the regulatory agency that will be responsible for reviewing and commenting the information;~~
  - ~~iii) the persons to whom the prospectus or equivalent document will be distributed; and~~
  - ~~iv) the rescission or withdrawal rights to be made available if the document contains material inaccuracies; and~~~~
- ~~b) if the securities are participating or voting securities, the information referred to in paragraph a) above must include the valuations described in article 3452 unless the Bourse concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;~~

~~however, the requirements provided for in paragraphs a) and b) shall not apply if securities of the issuer, with identical attributes, have been listed and posted for trading on a recognized exchange for not less than 6 months prior to the date of the transaction.~~

### **3455 Secondary Distributions** (15.03.05, [abr. 00.00.00](#))

~~The provisions of articles 3451 to 3454 apply, mutatis mutandis, to a secondary distribution of securities issued by a corporate approved participant or its holding company if the securities form part of a control position or the secondary distribution will result in the creation of an organized trading market for these securities.~~

### **3456 Audit Committee** (15.03.05, [abr. 00.00.00](#))

~~A corporate approved participant or its holding company who permits public ownership of its securities pursuant to the present Rule must appoint and maintain an audit committee composed of not less than three directors, a majority of whom are not officers or employees of the approved participant or its holding company or any of its affiliates.~~

### **3457 Investments by Discretionary Accounts** (15.03.05, [abr. 00.00.00](#))

~~No corporate approved participant must permit the acquisition by any customer account over which the corporate approved participant has discretionary authority, of securities issued by the corporate approved participant or its holding company, except as provided in article 3458; this prohibition applies notwithstanding any consent obtained from the customer and even if the securities are in the course of distribution or are being traded on the secondary market.~~

### **3458 Solicitation by Issuer** (15.03.05, [abr. 00.00.00](#))

~~Solicitation by a corporate approved participant as to transactions in securities issued by it or by its holding company,~~

- ~~a) is, subject to the provisions of article 3457, permitted in the course of a distribution made with a prospectus or other document containing the information required by applicable securities legislation and this rule, and in the case of private sales that qualify as a private placement under applicable securities legislation;~~
- ~~b) is prohibited in the course of a distribution not described in paragraph a) above and while trading on the secondary market. However, nothing in this article prohibits an approved participant from executing an unsolicited order for such securities;~~

~~and, for greater certainty, nothing herein prevents a corporate approved participant from accepting securities issued by it or its holding company as securities for margin purposes.~~

### **3459 Research Report and Opinion Letters** (15.03.05, [abr. 00.00.00](#))

~~A corporate approved participant must not issue research reports or opinion letters as to participating or voting securities issued by it or its holding company.~~

IV. Designated Representatives

**3501 Appointment of Designated Representatives**  
(15.03.05, 00.00.00)

Each partnership approved participant must appoint one of its partners or senior officer as its designated representative. Each corporate approved participant must appoint one of its directors, ~~or one of the directors of its parent company~~ or an senior officer, where applicable, as its designated representative. Each designated representative at the time of his or her appointment and so long as he or she is a designated representative must be approved as such by the Special Committee. Such approval may be revoked at any time by the Special Committee without any formality whatsoever and shall terminate automatically if the designated representative ceases to be a partner, ~~or a~~ director, as the case may be, of the approved participant or its parent company or an senior officer. ~~Any vacancy in such appointment must be filled promptly.~~

**3502 The Designated Representative Represents the Approved Participant**  
(25.03.94, 21.11.03, 00.00.00)

The appointment of a designated representative must be filed in writing with the Bourse on the form prescribed by the Bourse and must constitute each designated representative as the representative of the approved participant for all dealings with the Bourse with full authority to act for and bind the approved participant. ~~Such appointment shall also constitute the designated representative as the proxy of the approved participant for all meetings of approved participants.~~

~~For meetings of approved participants, the approved participant may appoint a substitute proxy and so may the designated representative, if he is so authorized by his appointment; the substitute proxy must be a partner in the approved participant, a director or officer of the approved participant or of another approved participant, an individual approved participant or another designated representative.~~

V. Approved Participants and Their Related Firms  
(abr. 00.00.00)

**3601 Subsidiaries**  
(15.03.05, abr. 00.00.00)

~~An approved participant may, with the prior approval of the Bourse, have a subsidiary whose principal business is that of a broker, dealer or advisor in securities or futures contracts. Such a subsidiary must carry on its activities under a legal name which is different from the legal name of the approved participant, and~~

- ~~a) the subsidiary's letterhead, confirmations, research publications and all other documents issued to the public must clearly disclose its association with the approved participant;~~
- ~~b) both the approved participant and the subsidiary must assume full responsibility for compliance by the subsidiary with the regulations of the Bourse.~~

~~However, if such subsidiary has the status of approved participant, the provisions set in Rule Eight apply.~~

**3602 Audit Requirements**



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(15.03.05, abr. 00.00.00)

~~Each related company and each holding company must comply with the audit requirement of the Bourse as though it were an approved participant except to the extent exempted by the Bourse.~~

### 3603 Cross Guarantees

(06.08.90, 30.05.97, 15.03.05, abr. 00.00.00)

~~a) Each approved participant must be responsible for and guarantee the obligations incurred by each of its related companies and each related company must be responsible for and guarantee the obligations of the approved participant to which it is related and of each other such related company of the approved participant. Such guarantee must be:~~

~~i) in the form prescribed from time to time by the Bourse; and~~

~~ii) subject to paragraph b) of the present article, limited to the percentage of the guarantor's total capital as determined in accordance with Statement A of Policy C 3 of the Bourse that corresponds to the percentage that the guarantor, or a common shareholder of the guarantor and the guaranteed corporation, has in the total capital of the entity whose obligations are guaranteed.~~

~~b) The Bourse may exempt an approved participant from the application of paragraph a) above.~~

### 3604 Compliance with the Regulations of the Bourse

(13.07.92, 15.03.05, abr. 00.00.00)

~~Each related firm must comply with the regulations of the Bourse as though it were an approved participant and each partner, director, officer, shareholder and employee of a related firm must comply with all the regulations of the Bourse as though the related firm were an approved participant except in each case to the extent that non compliance with specified provisions may be approved by the Bourse, either generally, individually or by classes.~~

## VI. Resignation, Suspension, Termination and Revocation

### 3701 Application for Resignation Approval

(15.03.05, 00.00.00)

No approved participant of the Bourse may resign without the prior approval of the Special Committee.

An approved participant wishing to resign must file with the Vice-President of the Regulatory Division of the Bourse a written application signed by a director or senior officer of the approved participant to obtain the Special Committee's approval of the resignation. This application must be accompanied, as the case may be if applicable, with the payment of fees that may be requested by the Bourse in such a case.

**3702 Information Required for Resignation**

(15.03.05, 00.00.00)

An approved participant who tenders its resignation, must, in its application, state its reasons for resigning and must file with the Vice-President of the Regulatory Division of the Bourse all financial or other information or other deemed relevant by the Vice-President of the Regulatory Division of the Bourse, or required by the Special Committee.

- ~~i) a balance sheet on which the approved participant's auditors must give an unqualified opinion as of such date as the Vice-President of the Regulatory Division of the Bourse may require;~~
- ~~ii) an unqualified report from the approved participant's auditors that in their opinion the approved participant has liquid assets sufficient to meet all its liabilities other than subordinated debts, if any;~~
- ~~iii) such other financial information as the Special Committee may require, and~~
- ~~iv) a report from the approved participant's auditors that clients' fully paid securities are properly segregated and identified. If the financial information required above is not filed with the application, the approved participant must indicate in the application the date by which such financial information will be filed.~~

**3703 Responsibility for Assessments and Fees in Event of Resignation**

(15.03.05, 00.00.00)

The approved participant shall continue to be liable for all assessments or fees falling due prior to the date of resignation approval or applicable to the period terminating on such date, and shall make timely payment thereof in the normal manner. After the actual or effective date of resignation approval, the former approved participant shall no longer be required to pay assessments or fees as they become fall due.

**3704 ~~Termination of Approved Participant Registration after~~ Effective date of Resignation**

(15.03.05, 00.00.00)

An approved participant who has tendered its resignation shall cease to be an approved participant of the Bourse on the date of its resignation approval by the Special Committee, or on any other date designated by the Special Committee. ~~and shall likewise cease to be registered as the holder of a trading permit as of that date.~~

**3705 Mergers**

(15.03.05)

The procedure outlined in articles 3701 to 3704 must be followed where appropriate in cases of merger and similar agreements between approved participants of the Bourse.

**3706 Effects of Suspension and Expulsion**

(15.03.05, 00.00.00)

Suspension from approved participant status shall automatically entail suspension of all the approved participant's rights and privileges as an approved participant.

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Expulsion shall automatically terminate all the rights and privileges related to the approved participant's status.

Suspension or expulsion shall automatically create a vacancy in any position or office at the Bourse held by the approved participant or by a director, partner, officer or employee of such approved participant. The reinstatement or lifting of the suspension of the approved participant will not allow the approved participant, or its director, partner, officer or employee to resume his functions at the Bourse.

An approved participant ~~that is~~ suspended ~~or expelled~~ shall remain subject to the jurisdiction of the Bourse. An approved participant that is expelled shall remain subject to the jurisdiction of the Bourse, in any disciplinary proceedings pending at the time of suspension or expulsion, or arising out of matters occurring prior to or during suspension or expulsion in accordance with paragraph b) of article 4101 of the Rules of the Bourse.

An approved participant suspended or expelled shall remain liable to the Bourse for assessments, fees, charges, fines, costs and other debts imposed or which became payable during the time it was an approved participant or in respect of any matter over which the Bourse retains jurisdiction ~~pursuant to the present article.~~

### **3707 Revocation of Approved Participant Status** (15.03.05)

The expulsion of an approved participant results in the immediate revocation and without any other formality of all the rights related to its approved participant status.

### **3708 Effects of Suspension and Revocation of Bourse Approval of Persons other than Approved Participants** (15.03.05, 00.00.00)

Suspension or revocation of the Bourse approval of any person other than approved participants shall automatically preclude such person from acting in the capacity for which such Bourse approval was required. An approved participant shall not allow any person to continue to act in the capacity, nor hold the position, for which the Bourse approval has been suspended or revoked.

~~Suspension or revocation of the Bourse approval shall not affect disciplinary proceedings concerning the person whose approval was suspended or revoked, and such person shall remain liable for the penalties and costs imposed as a result of such proceedings, if any.~~  
An approved person whose approval is suspended by the Bourse shall remain subject to the jurisdiction of the Bourse. An approved person whose approval is revoked shall remain subject to the jurisdiction of the Bourse, in accordance with paragraph b) of article 4101 of the Rules of the Bourse.

### **3714 Resignation of Multiple Memberships** (abr. 15.03.05)

## **VII. Trading Permits** (abr. 00.00.00)

### **3801 Issuance of Trading Permits** (15.03.05, abr. 00.00.00)

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~~The Bourse issues to approved participants trading permits in such number and at such conditions as the Special Committee may determine from time to time.~~

### **3802 Trading Permit Required** (15.03.05, [abr. 00.00.00](#))

~~—Each approved participant must hold at least one trading permit.~~

### **3803 Trading Privileges** (15.03.05, [abr. 00.00.00](#))

~~For each trading permit held, an approved participant shall have the right to trade or to appoint one trading representative or market maker to trade any product listed on the Bourse, subject to the qualifications and proficiency requirements established by the Bourse.~~

### **3804 Additional Trading Permits** (15.03.05, [abr. 00.00.00](#))

~~Upon approval by the Special Committee, the Bourse may issue additional trading permits to approved participants upon application, provided that the approved participant so applying undertake to appoint forthwith a trading representative or market maker for each such additional trading permit.~~

### **3805 Assessments, Fees and Charges** (15.03.05, [abr. 00.00.00](#))

~~The provisions of article 3009 apply to each approved participant according to the number of trading permits held by the approved participant.~~

### **3806 Registration** (15.03.05, [abr. 00.00.00](#))

~~—Each approved participant trading permit must be recorded in the register kept for that purpose by the Bourse.~~

### **3807 Revocation – Suspension** (15.03.05, [abr. 00.00.00](#))

~~—The trading permits of any approved participant who has been expelled shall immediately and automatically be revoked without any formality whatsoever.~~

~~—The trading permits of any approved participant who has been suspended shall immediately and automatically be suspended without any formality whatsoever.~~

## IX. SPECIAL CLASSES OF MEMBERSHIP

(abr. 15.03.05)

### **3901 Honorary Members - Election, Qualifications and Rights** (11.03.85, abr. 15.03.05)

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- 3902 Associate Membership**  
(11.03.85, 01.05.89, abr. 15.03.05)
- 3903 Associate Membership for TCO Options**  
(11.03.85, abr. 15.03.05)
- 3904 Correspondant Membership for IOCC Options**  
(11.03.85, abr. 15.03.05)

### **ELECTRONIC ACCESS MEMBERSHIP** (abr. 15.03.05)

- 3905 Electronic Access Member**  
(11.03.85, abr. 15.03.05)
- 3906 Electronic Access Membership Obligations**  
(11.03.85, abr. 15.03.05)

### **TRANSITORY PROVISION** (abr. 15.03.05)

- 3910 Transitory Provision**  
(01.05.89, abr. 15.03.05)

### **INTERNATIONAL OPTIONS MARKET (MIO)** (abr. 15.03.05)

- 3913 MIO Associate Membership Rights and Privileges**  
(11.03.85, 01.05.89, abr. 15.03.05)
- 3914 MIO Associate Membership Obligations**  
(11.03.85, abr. 15.03.05)
- 3916 Termination of MIO Associate Membership**  
(11.03.85, 01.05.89, abr. 15.03.05)
- 3917 Revocation of MIO Associate Membership**  
(11.03.85, abr. 15.03.05)

### **THE MERCANTILE DIVISION OF THE EXCHANGE** (abr. 15.03.05)

- 3923 Mercantile Associate Membership Rights and Privileges**  
(11.03.85, 22.04.88, 01.05.89, abr. 15.03.05)
- 3924 Mercantile Associate Membership Obligations**  
(11.03.85, 22.04.88, 01.05.89, abr. 15.03.05)
- 3926 Termination of Mercantile Associate Membership**

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(11.03.85, 01.05.89, abr. 15.03.05)

**3927 Revocation of the Mercantile Associate Membership**  
(11.03.85, abr. 15.03.05)

**INTERNATIONAL DIVISION**  
(abr. 15.03.05)

**3943 International Division Associate Membership Rights and Privileges**  
(11.03.85, 01.05.89, abr. 15.03.05)

**3944 International Division Associate Membership Obligations**  
(11.03.85, abr. 15.03.05)

**3946 Termination of International Division Associate Membership**  
(11.03.85, 01.05.89, abr. 15.03.05)

**3947 Revocation of International Division Associate Membership**  
(11.03.85, 01.05.89, abr. 15.03.05)

### VIII. RESTRICTED TRADING PERMITS

**3951 General**  
(11.03.85, 01.05.89, 15.03.05)

The Special Committee is empowered to adopt rules governing the issuance of restricted trading permits. Without restricting the generality of the foregoing, such rules may provide for the following:

- i) the categories of restricted trading permits;
- ii) the products listed on the Bourse for which such restricted trading permits or categories of restricted trading permits may be issued;
- iii) the number of restricted trading permits which may be issued;
- iv) the qualifications required for issuance of restricted trading permits;
- v) the procedure for issuing restricted trading permits issuance;
- vi) the conduct and affairs of restricted trading permit holders; and
- vii) renewal, conditions for renewal and revocation of restricted trading permits.

**3952 Restricted Trading Permit Issuance**  
(01.05.89, 25.07.91, 01.08.95, 15.03.05)

Restricted trading permits may be issued to an applicant providing he or she:

- i) is an individual of at least 18 years of age;

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- ii) complies with the applicable immigration rules, if not a Canadian citizen;
- iii) demonstrates, in a way satisfactory to the Bourse, good character, reputation, credit and financial situation;
- iv) in the opinion of the Bourse, is able to perform conscientiously the functions needed to promote market development for the Bourse products for which a restricted trading permit will be issued and is able to assume the responsibilities and privileges of a restricted trading permit holder;
- v) is properly registered with the Commission des valeurs mobilières du Québec;
- vi) has entered into an agreement with an approved participant for the clearing of trades and this clearing approved participant guarantees without conditions all the trades of the restricted trading permit holder;
- vii) either alone or considering the joint account agreement entered into with a partner in accordance with article 7008, has the net worth provided by article 7007, or any higher amount as may be required by the clearing approved participant with whom the applicant has entered into a clearing agreement;
- viii) has passed the examinations required by the Bourse or has been exempted therefrom;
- ix) submits an application to the Bourse in the prescribed form and files all required documents;
- x) provides all information required by the Bourse including, without limiting the generality of the foregoing, sources of financing, profit sharing and joint accounts;
- xi) signs a consent, in a prescribed form, authorizing the Bourse, to obtain from the applicant or any other person, all information regarding the applicant's trades on other exchanges or other markets while the trading permit is in force; and
- xii) pays the applicable fees.

Restricted trading permits are granted on a yearly basis, or for any other period of time determined by the Special Committee.

### **3953 Rights and Obligations of Restricted Trading Permit Holders** (01.05.89, 15.03.05)

Holders of restricted trading permits have the following rights and obligations:

- i) the right to have a direct access to the trading system of the Bourse, but only as principal to trade the Bourse products for which the permit has been issued;
- ii) the right to communicate during business hours with any approved participant in the same manner as approved participants may do so, but only with respect to the Bourse listed products specified by his permit; and
- iii) the obligation to, as long as he is a restricted trading permit holder, not hold other positions or have any other occupation in relation to the financial markets or the securities market.

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Restricted trading permits are not transferable.

### 3954 Additional Rules

(11.03.85, 01.05.89, 15.03.05, 00.00.00)

Each restricted trading permit holder is subjected to the jurisdiction of the Bourse during the term of the permit and thereafter, in accordance with paragraph b) of article 4101 of the Rules of the Bourse until all investigations or proceedings relating to his or her activities as a restricted trading permit holder have been concluded.

Each restricted trading permit holder is bound by all the obligations imposed upon approved participants or approved persons under the regulations of the Bourse. However, the Special Committee may exempt restricted trading permit holders from any such duty or obligation which is incompatible or in conflict with, or is unrelated to, the activities performed by them.

~~When trading as principal, each restricted trading permit holder shall be subject to the regulations of the Bourse regarding market makers.~~

### 3955 Fees

(11.03.85, 25.07.91, 15.03.05)

Restricted trading permit holders must pay the entrance fees and other fees as determined by the Special Committee.

The Bourse may suspend the permit if such fees have not been paid.



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### **3956 Surrender of Restricted Trading Permits** (11.03.85, 01.05.89, 25.07.91, 01.04.99, 15.03.05)

A restricted trading permit holder may terminate the permit by surrendering it to the Bourse or by giving the Bourse a written notice. A restricted trading permit holder is deemed to have surrendered the permit when he or she has ceased activities for more than three months without the approval of the Bourse.

### **3957 Arbitration** (11.03.85, 15.03.05)

Each restricted trading permit holder agrees by filing the application for a restricted trading permit, to the arbitration of any monetary claim made against him or her by any other restricted trading permit holder, or by any approved participant, arising out of his or her activities on the Bourse while a restricted trading permit holder, irrespective of whether the restricted trading permit has expired at the time the claim is asserted.

### **3958 Revocation of Restricted Trading Permits** (11.03.85, 01.05.89, 15.03.05)

Without prejudice to the disciplinary powers of the Special Committee or the Disciplinary Committee pursuant to the regulations of the Bourse, the Special Committee may suspend or revoke the permit of any restricted trading permit holder under the following conditions:

- a) Upon finding, after notice and opportunity for hearing, that the restricted trading permit holder:
  - i) at the time of filing of the application, did not provide the Bourse with all relevant information or has provided information which was untrue, inaccurate or incomplete;
  - ii) has ceased to meet the eligibility criteria provided in article 3952 of the Rules of the Bourse;
  - iii) contravenes to or refuses to cooperate with the Bourse in relation to any of his or her undertakings;
  - iv) has violated any regulations of the Bourse;
  - v) has not performed conscientiously the activities authorized by his restricted trading permit;
  - vi) has executed transactions in any Bourse listed product other than those specified by his restricted trading permit;
  - vii) has ceased trading or has a level of activity on the Bourse which is unsatisfactory; or
  - viii) has made statements or acted in such a way which could reasonably lead others to believe that he or she is an approved participant of the Bourse, an employee of an approved participant or an employee or representative of the Bourse.
- b) Upon a final determination in an administrative or judicial proceeding that the restricted trading permit holder has violated the Securities Act or any other similar act and that such a proceeding impairs the ability of the restricted trading permit holder, either temporarily or permanently, to

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perform any of the activities contemplated in the permit, such permit may be suspended or revoked after notice and opportunity for hearing;

- c) Upon the insolvency or bankruptcy of the restricted trading permit holder, whether voluntary or involuntary and whether or not a full discharge of obligations is sought.

**3959 Restricted Trading Permit - Option Category**  
(01.05.89, 25.07.91, 02.04.93, 15.03.05)

The Bourse establishes a restricted trading permits - options category, which entitles the holder to trade the option products, other than options on futures contracts, listed on the Bourse.

The provisions of articles 3951 to 3958 apply to such permits.

**3960 Transitory Provision**  
(01.05.89, abr. 15.03.05)

**3960 Restricted Trading Permit - Financial Derivatives Category**  
(01.05.89, 25.07.91, 04.05.95, 03.11.97, 15.03.05)

The Bourse establishes a restricted trading permits - financial derivatives category, which entitles the holder to trade futures contracts and futures contracts options.:

The provisions of articles 3951 to 3958 apply to such permits.