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<input checked="" type="checkbox"/> Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/> Technology
<input checked="" type="checkbox"/> Back-office – Futures	<input checked="" type="checkbox"/> Regulation

**CIRCULAR**  
November 3, 2004

## **TERMINATION OF EMPLOYMENT NOTICE**

### **AMENDMENTS TO ARTICLES 3304, 3404 AND 6366**

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) has approved amendments to articles 3304, 3404 and 6366 of the Rules of the Bourse. These amendments are effective immediately.

In the current List of Fees of the Bourse, in Section A.3, “Termination Notice”, it is indicated that any approved participant who is late in the filing of this notice with the Bourse is liable for a fine of \$100 per late working day.

However, the three relevant provisions of the Rules of the Bourse, articles 3304, 3404 and 6366, were silent on two counts:

- the provisions of articles 3304 and 3404 were not specifying that the delay for filing the termination of employment notice is ten (10) business days; and
- article 6366, whose paragraph A specifies the conditions to access the electronic trading system of the Bourse and for the approval of the approved participants designated personnel, was for its part entirely silent regarding the filing of a termination of employment notice and the delay within which such notice must be filed.

The purpose of the amendments made by the Bourse to the articles is therefore to ensure that the relevant provisions are clear and precise for what concerns the obligations of approved participants to provide to the Bourse a termination of employment notice for any approved person and the delay they are entitled to for providing such a notice, the whole in order to facilitate the execution of the decisions of the Bourse to impose a fine of \$100 per business day of late filing.

For further information, please contact Mr. Jacques Tanguay, Vice-President, Regulatory Division, at (514) 871-3518 or by e-mail at [jtanguay@m-x.ca](mailto:jtanguay@m-x.ca).

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

Encl.

Circular no.: 137-2004  
Amendment no.: 008-2004

**3304 Notice to Be Given by a Partnership Approved Participant**  
(03.11.04)

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 termination of employment of a person approved by the Bourse, the partnership approved participant must give notice to the Bourse within a delay of ten (10) business days following the date of termination of employment;
- 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.

**3404 Notices of Change to Be Given by Corporate Approved Participants**  
(03.11.04)

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
- ii) in the case of termination of employment of a person approved by the Bourse, the corporate approved participant must give notice to the Bourse within a delay of ten (10) business days following the date of termination of employment;
- 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.

**6366 Access to Electronic Trading**  
(25.09.00, 24.09.01, 19.03.02, 03.11.04)

- A) Only approved participants of the Bourse and restricted permit holders of the Bourse, through their respective clearing approved participants, will have access to the electronic trading for derivatives instruments traded on the Bourse and this, at the following conditions:
- a) certify to the Bourse that only their designated personnel approved by the Bourse and who has received the required training has access to the said system;
  - b) certify to the Bourse that only the designated personnel approved by a recognized exchange or association as described in article 7452 6) b) ii) of the Rules of the Bourse and who has received the required training has access to the said system;
  - c) put in place an internal security procedure for access to the electronic trading system; and
  - d) obtain the prior approval of the Bourse.

Each approved participant and each restricted permit holder is entirely and exclusively responsible for any unauthorized access to the said system.

The approved participant must give notice to the Bourse of the termination of employment of its designated personnel approved by the Bourse and this, within a delay of ten (10) business days from the date of termination of employment.

- B) The approved participants can authorize clients to use a computer system to route orders. In order to do so, the following conditions must be complied with:
1. Definition of clients: For the purposes of this article, a client is defined as a person having an agreement with the approved participant to route his orders to the routing system of the approved participant.
  2. Conditions for connections

An approved participant may transmit orders received electronically from a client directly to the electronic trading system of the Bourse provided that the approved participant has:

- a) obtained prior approval of the Bourse that the order routing system of the approved participant meets the following conditions:
  - i) supports compliance with the requirements of the Bourse dealing with the entry and trading of orders by all its clients who will use the order routing system (for example, the order routing system must support all valid order information that may be required);
  - ii) ensures security of access to the electronic trading system of the Bourse by having in place an internal security procedure;

- iii) complies with specific requirements prescribed pursuant to article 6366 B) 2) of the Rules, including a facility to receive an immediate report of the entry or execution of orders; and
  - iv) enables the approved participant to employ order parameters or filters that will route orders to the approved participant (which parameters may be customized for each client).
- b) executed a standard service agreement (i.e. Order Routing Agreement) with its client providing for the following terms:
- i) the client is authorized to connect to the approved participant's order routing system;
  - ii) the client must enter orders in compliance with the requirements of the Bourse with regards to the entry and trading of orders and other applicable regulatory requirements;
  - iii) specific parameters defining the orders that may be entered by the client are provided for, including restrictions to specific securities or size of orders;
  - iv) the approved participant can reject an order for any reason;
  - v) the approved participant can change or remove an order and has the right to cancel any trade made by the client for any reason;
  - vi) the approved participant can discontinue accepting orders from a client at any time without notice;
  - vii) the approved participant agrees to train its clients with regards to the requirements of the Bourse dealing with the entry and trading of orders and other applicable requirements of the Bourse; and
  - viii) the approved participant undertakes to ensure that revisions and updates to the requirements of the Bourse relating to the entry and trading of orders are promptly communicated to its clients.
- c) complied with all other conditions prescribed by the Bourse, being:
- i) the approved participant must ensure that its clients are adequately trained in the trading rules of the Bourse, as well as the use of the order routing system. The training materials regarding the above trading rules that the approved participant proposes to use will be available to the Bourse;

- ii) the approved participant must have the ability to receive an immediate report of the entry and execution of orders. He must have the capability of rejecting orders that do not fall within the designated parameters of authorized orders for a particular client;
- iii) the approved participant must designate a specific person as being responsible for the order routing system. Orders executed through this routing system will be reviewed for compliance and credit purposes by such person designated by the approved participant;
- iv) the approved participant must have procedures in place to ensure that its clients use the order routing system in compliance with the requirements of the Bourse and other applicable regulatory requirements;
- v) the approved participant will make available for review by the Bourse, as required from time to time, copies of the Order Routing Agreements between the approved participant and its clients;
- vi) any other condition required by the Bourse in order to protect the interests of the investors, the approved participants and the Bourse.

### 3. Responsibility

An approved participant who executes an agreement with a client to route orders in accordance with article 6366 B) 2) of the Rules is responsible for compliance with the requirements of the Bourse with respect to the entry and execution of orders routed to him by its clients.

Furthermore, the approved participant must provide the Bourse with prior written notification of the identity of the person designated as responsible for such compliance.