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CIRCULAR 146-16
November 22, 2016

REQUEST FOR COMMENTS

INTRODUCTION OF A PROCESS TO IMPOSE FINES FOR MINOR VIOLATIONS

ADOPTION OF ARTICLES 4220 TO 4224 OF RULE FOUR OF BOURSE DE MONTRÉAL INC. AND ABROGATION OF ARTICLE 6389A OF RULE SIX OF BOURSE DE MONTRÉAL INC.

The Rules and Policies Committee and the Special Committee-Regulatory Division of Bourse de Montréal Inc. (the “**Bourse**”) have approved the adoption of Articles 4220 to 4224 of Rule Four of the Bourse and the abrogation of Article 6389A of Rule Six of the Bourse in order to adopt the new rules governing disciplinary matters by the Regulatory Division.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of this notice, at the latest December 23, 2016. Please submit your comments to:

M^e Sabia Chicoine
Chief Legal Officer, MX, CDCC
Office of the General Counsel
Bourse de Montréal Inc.
Tour de la Bourse
800, rue du Square-Victoria, P.O. Box 61,
Montréal, Québec H4Z 1A9
E-mail: legal@tmx.com

A copy of these comments must also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

Appendices

You will find in the appendices an analysis as well as the text of the proposed articles. The implementation date of the proposed articles will be determined by the Bourse in accordance with the self-certification process, as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Regulatory Amendment Process

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (“SRO”) by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for supervising 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. The Special Committee is empowered to recommend to the Board of Directors of the Bourse the approval or amendment of the Rules of the Bourse concerning some aspects of the supervision of approved participants of the Bourse. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.



**INTRODUCTION OF A PROCESS TO IMPOSE FINES FOR MINOR VIOLATIONS
ADOPTION OF ARTICLES 4220 TO 4224 AND ABROGATION OF ARTICLE 6389A OF RULE
SIX OF BOURSE DE MONTRÉAL INC.**

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I. SUMMARY

The Regulatory Division of Bourse de Montréal Inc. (the “**Division**”) is proposing to adopt a Process to Impose Fines for Minor Violations (the “**Process**”). The objective of adopting such a Process is to improve the application of the Rules of Bourse de Montréal inc. (the “**Bourse**”) by the Division. The Division has identified violations that can be qualified as “minor.” If, following an investigation, the Division concludes that a violation has been committed and that the violation is referred to the Process, the Division’s Vice-President can either impose a fine of a predetermined amount or opt to file a disciplinary complaint that will be heard by a Disciplinary Committee. If the matter involves special circumstances, the Vice-President of the Division may, at his discretion, elect to file a disciplinary complaint. The Process provides that the approved participant or the approved person may put forward their observations before the fine is imposed and, when there is disagreement, may request a hearing before a Disciplinary Committee. Within the framework of administering the Process, the Division will annually publish information, on an anonymous basis, relating to the fines it has imposed.

The Division hereby proposes the introduction and adoption of articles 4220 to 4224 of the Rules of the Bourse (the “**Rules**”). The Division also proposes the abrogation of article 6389A following the implementation of this new Process.

II. ANALYSIS

a. Background

The Division seeks to improve the efficiency, predictability and consistency of the application of the Rules and reduce the time needed to handle certain files. Imposing a fine for a minor violation is an alternative enforcement process to the filing of a disciplinary complaint.

The adoption of this Process is the result of deliberations by the Division following a comparative study of the practices of other Canadian and foreign organizations (self-regulatory organizations, exchanges and Crown corporations). A process for imposing minor fines, or similar process, appears to be standard practice in the United States (BOX, CBOE, CBOE Futures LLC, ICE Futures US, CME, NASDAQ, FINRA), and Australia (ASX). While this approach appears to be new for a self-regulatory organization in the Canadian financial sector,¹ it is used by some Crown corporations.

¹ The Investment Industry Regulatory Organization of Canada, The Mutual Fund Dealers Association of Canada, the Chambre de la sécurité financière, the Chambre de l’assurance de dommage, the Natural Gas Exchange Inc. and ICE Futures Canada, Inc. have no provisions for imposing fines for minor violations or administrative monetary penalties.

More specifically, the Autorité des marchés financiers² (the “AMF”) provides for imposing administrative monetary sanctions for violations related to the filing of documents, the maintenance of insurance, and the reporting requirement. The same can be said for the Financial Transactions and Reports Analysis Centre of Canada³ (“FINTRAC”) which, in addition to criminal sanctions, provides for a range of penalties according to the seriousness of the violation.

The authority to charge fees or impose a regulatory fine is not new to the Division or the Bourse. Currently, the Division charges fees for the late filing of notices and reports, for example, a notice of termination of employment or a report pertaining to the accumulation of positions for derivative instruments. These fees may reach an amount of \$5,000.⁴ Furthermore, since 2001, any official of the Bourse has the power to impose a fine not exceeding \$5,000.⁵ Lastly, as part of a disciplinary complaint, the Vice-President of the Division may accept any offer of settlement if the sanction imposed is a fine not exceeding \$5,000.⁶

The Division has identified nine violations for which it is possible to objectively and factually establish the component parts and that may be qualified as “minor.” Even though certain violations may qualify as “minor,” the rules must nevertheless be applied, and the Division once again underscores how important it is for approved participants and approved persons to comply with these rules. The attached “*List of Fines for Minor Violations*,” attached in Appendix 3, lists these violations and the fines that may be imposed for each of them. In accordance with the rules currently in effect, where the maximum amount of the fine does not exceed \$5,000.

The Division is of the opinion that by simplifying the process used in handling certain violations, it will be able to focus its efforts on files involving more severe violations and situations that are more complex or that have a greater impact on the market and require more attention.

b. Application

The Division proposes that the Process will take effect on the day of self-certification. The Division intends to use this new Process for the enforcement of any violation appearing in the List of Fines for Minor Violations regardless of the date of the violation. As more fully discussed below, the approved participant or the approved person may ask the Division to be excluded from the Process and ask to hold a hearing before a Disciplinary Committee.

² The Autorité des marchés financiers is the body mandated by the Government of Quebec to regulate the province’s financial markets.

³ The Financial Transactions and Reports Analysis Centre of Canada is Canada’s financial intelligence unit.

⁴ See the List of Fees – Effective July 1, 2016

⁵ Article 6389A of Rule Six of the Rules of the Bourse

⁶ Article 4204 of Rule Four of the Rules of the Bourse

c. Description and Analysis of Market Impacts

New article 4220 (Fine for minor violation)

The Division proposes to introduce article 4220 to allow the Vice-President of the Division to impose a fine on an approved participant or an approved person for any violation included in the List of Fines for Minor Violations. This new article specifies that the Bourse is retaining its jurisdiction over former approved participants and approved persons for a period of thirty-six months as is such for the filing of a disciplinary complaint (article 4104 b) of the Rules).

The violations identified by the Division are those whose component parts can be objectively and factually confirmed:

1. Incomplete or inaccurate reports pertaining to the accumulation of positions for derivative instruments (article 14 102 (1) of the Rules)
2. Exceeding position limits (article 14 157 of the Rules)
3. Non-compliance with the identification of orders (articles 6366 B) 2.9) et 6376 of the Rules)
4. Non-compliance with the prescribed time limit for reporting an exchange for physical transaction, or exchange for risk (EFP/EFRP) (articles 6815 and 6815A of the Rules)
5. Non-compliance with the prescribed market exposure time delay (article 6380 of the Rules)
6. Failure to send a notice of noncompliance or a notice of exceeding the position limit (articles 4002 and 14 102 (7) of the Rules)
7. Prohibited use of the hidden quantity function (article 6380 of the Rules)
8. Granting unauthorized access to the automated system (article 6366 A) of the Rules)
9. Inadequate or incomplete recordkeeping of orders (article 6377 of the Rules)

In all cases, the Division will need to conduct an investigation to determine whether a violation has been committed. When the Division concludes that a violation has been committed and this violation is included in the *List of Fines for Minor Violations*, the Division may use this enforcement process for a more time-efficient treatment of the file. Over the last five years, the average time between the filing of a disciplinary complaint and a decision by a Disciplinary Committee has been 12 months. The purpose of the Process is to therefore significantly reduce this period of time. The Division believes that the average time required to handle a violation under the Process will be approximately two months.

The Process will also result in cost savings and allow approved participants and approved persons to know the potential financial consequences of certain violations.

Lastly, the purpose of this article is also to allow the Vice-President of the Division, at his discretion, to elect to file a disciplinary complaint, even if it is a violation included in the List of

Fines for Minor Violations. This discretionary power is intended to allow the Division to use the most appropriate enforcement process given the circumstances of each matter. In other words, it is possible that, due to specific circumstances, imposing a fine will not have the desired deterrent effect or will not reflect the seriousness of the violation. Examples include whether the violation committed had an impact on the market, the clients, or the reputation of the Bourse, or if it is a recurring problem with the approved participant or approved person, and if, by committing the violation, the approved participant or approved person obtained a benefit that was greater than the prescribed fine. In these circumstances, it may be preferable, in the interest of protecting market integrity, to proceed with the filing of a disciplinary complaint.

New article 4221 (Notice of a minor violation)

Article 4221 provides for the serving of a notice of minor violation to the approved participant or the approved person. This article lists the items that need to appear in the notice of violation in order to permit the approved participant or the approved person to understand the violation in question and understand their rights, that is, to allow them to put forward observations before a fine for minor violation is imposed. This article seeks to respect the right for an approved participant or approved person to be heard.

New article 4222 (Observations of the approved participant or the approved person)

After receiving a notice for a minor infraction, an approved participant or approved person must, in the next twenty business days, decide whether or not to pursue the Process or proceed before a Disciplinary Committee.

If the approved participant or approved person opts for the Process, observations may be sent to the Vice-President of the Division. Article 4222 specifies that these observations must be submitted within twenty business days from the date of service of the notice. As described in the article, these observations must confirm or refute the facts, and the approved participant or approved person cannot present a defence of due diligence. Under Canadian Law, the Process can be characterized as one of absolute liability. The Division believes the Process to be advantageous to approved participants and approved persons in terms of: confidentiality (including the anonymity of corresponding publications), lower costs compared to those incurred in a disciplinary process (such as legal and investigation fees), a known and predetermined fine amount, and the speed with which the entire process is completed.

However, the approved participant or the approved person interested in mounting a defence of due diligence may contest the notice of violation before the Disciplinary Committee as if a disciplinary complaint had been filed. In this context, the notice of minor violation is deemed to be a complaint as per 4101 of the Rules. In this delay of twenty business days, the approved



participant or approved person must serve the Vice-President of the Division a request to be heard by a Disciplinary Committee with a reply described in 4152 of the Rules.

The article also provides that if the approved participant or approved person omits or fails to submit observations or to contest the notice of minor violation within the prescribed time, they will be deemed to have agreed to pay the fine and will have relinquished all rights under the regulations of the Bourse concerning the hearing and contesting the notice.

New article 4223 (Notice of a fine for a minor violation)

Article 4223 allows the Vice-President of the Division to impose a fine on an approved participant or an approved person by serving them with a notice of a fine for a minor violation at the end of the time delay stipulated in article 4222. If after having read the observations of the approved participant or the approved person the Vice-President of the Division is satisfied that the violation described in the notice did not occur, notably because of a mistake in the facts, the Vice-President may decide not to impose a fine and close the file.

If the Vice-President of the Division is of the opinion that a violation has occurred, he has no discretion in deciding the amount of the fine to impose. The Vice-President may impose the predetermined fine for a minor violation for the amount appearing in the *List of Fines for Minor Violations*. However, the decision of the Vice-President of the Division to impose a fine for a minor violation may be brought in appeal to the Special Committee according to articles 4251 and following of the Rules of the Bourse.

Payment of the fine becomes due ten business days after the notice of a fine for a minor violation has been served to the approved participant or the approved person.

New article 4224 (Publication of information concerning fines imposed for minor violations)

In order to inform participants of the enforcement procedures taken in a given period, the Division will make information on the imposed fines publicly available, in particular the nature of the minor violations, the amount of the imposed fines and any other information that the Division considers relevant. This information will be published on an anonymous basis. This is an incentive used to encourage faster resolution of certain files. At this writing, the Division plans to release this information in the form of an annual circular. As needed, the frequency of publication will be re-evaluated.



Abrogation of article 6389A (Levy of fines)

Article 6389A is obsolete. The situations mentioned in article 6389A are the responsibility of the Division.

d. Comparative Analysis

Please consult Appendix 1, which provides detailed information on the practices of other self-regulatory organizations, exchanges and Crown organizations that impose fines for minor violations or administrative monetary sanctions.

e. Proposed Amendments

See Appendix 2 for the proposed regulatory amendments.

III. AMENDMENT PROCESS

The Division initiated this project to improve the efficiency of the enforcement process for certain violations while respecting the principles of procedural fairness. The Division is of the opinion that the Process carries several advantages for approved participants and approved persons. The Division believes that the Process improves the means at its disposal to assure respect of the Rules in order to fulfill its market protection role.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

None of the proposed articles has an impact on the Bourse's technological systems or those of its approved participants.

V. OBJECTIVES OF THE PROPOSED AMENDMENTS

The objectives of the proposed amendments are to:

- Improve the efficiency of the enforcement process;
- Offer the Division an alternative enforcement procedure;



- Align the Bourse's practices with those of other self-regulatory organizations, including derivatives exchanges, and Crown corporations;
- Ensure that fines are imposed in a predictable and consistent manner.

VI. PUBLIC INTEREST

In general, this Process is intended to improve the Division's ability to fulfil its regulatory functions such as its role in protecting market integrity. It is in the public interest that the Division has enforcement procedures that are adequate and adapted to the circumstances of every scenario.

VII. EFFICIENCY

This Process is being adopted, in part, for a more efficient and consistent application of the Rules of the Bourse as much for the Division as for the approved participants and approved persons.

VIII. PROCESS

Adoption of articles 4220 to 4224 and the abrogation of article 6389A have been submitted to the Rules and Policies Committee and the Special Committee of the Bourse for approval. They will also be submitted to the Autorité des marchés financiers in accordance with the self-certification procedure and to the Ontario Securities Commission for information purposes.

IX. ATTACHED DOCUMENTS

- Appendix 1: Comparative Analysis
- Appendix 2: Proposed Amendments
- Appendix 3: List of Fines for Minor Violations



BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES

Regulatory Reference	Period	Link	Process	Characteristics
BOX: Rule 12140		http://bmb-prod-na-eastus-eg-prod.azurewebsites.net/browse/9669e4707b431000bb9a001b7840a5b2011	<p>The fine is immediately payable following the date of service of the notice. The participant has a minimum of 25 days to dispute the notice. If the fine is disputed, the hearing is held before the Hearing Committee.</p>	<p>Maximum \$5,000 per violation. There is a prescribed scale for each violation.</p>
CBOE Futures: Rule 714		https://cfe.cboe.com/publish/cferulebook/cfe-rulebook.pdf	<p>The fine is immediately payable following the date of service of the notice. The participant has 30 days to dispute the fine, request a review, with or without a hearing, and confirm if written submissions are sufficient. The Business Conduct Committee hears the request for a review. CBOE Futures may still proceed with a disciplinary complaint if the violation is intentional, egregious or otherwise not minor in nature.</p>	<p>Maximum \$15,000 per violation. There is a prescribed scale for each violation.</p>
CBOE: Rule 17.50		http://cchwallstreet.com/CBOEtools/PlatformViewer.asp?SelectedNode=chp_1_2&manual=/CBOE/rules/cboe-rules/	<p>The fine is immediately payable following the date of service of the notice. The participant has 30 days to dispute or pay the fine. The payment of the fine by the participant is not deemed an admission of the violation.</p>	<p>Maximum \$5,000 per violation. There is a prescribed scale for each violation.</p>

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES

Regulatory Reference	Period	Link	Process	Characteristics
CME: Rule 512		http://www.cmegroup.com/rulebook/files/RA1503-5.pdf	<p>The member has 15 days following the date of service of the notice to present the Chief Regulatory Officer evidence to cancel or reduce the amount of the fine. If no evidence is submitted within 15 days, the fine is payable. The Chief Regulatory Officer serves another notice that either confirms, cancels or reduces the amount of the fine. The member has 10 days to file an appeal to the Chief Regulatory Officer's decision specifying his reasons. The appeal is heard before the Business Conduct Committee. The decision of the Business Conduct Committee is final.</p>	<p>Minimum of \$1,000, maximum of \$10,000. The determination of the fine is at the discretion of the Chief Regulatory Officer.</p>
NASDAQ: Rule 9216 and NASDAQ Options Rules Chapter X Sec. 7		http://nasdaq.cchwallsstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_1_1&manual=%2Fnasdaq%2Fmain%2Fnasdaq-equityrules%2Fet http://nasdaq.cchwallsstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_1_1	<p>The Department of Enforcement or the Department of Market Regulation can require a member or associated person to execute a letter accepting a finding of violation, agreeing to waive such member's or associated person's right to a hearing and consenting to a sanction. This letter is reviewed by the NASDAQ Review Council. The NASDAQ Review Council's decision is final.</p>	<p>Maximum of \$5,000. Each sanction follows a prescribed scale per violation.</p>

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES

Regulatory Reference	Period	Link	Process	Characteristics
		_10&manual=%2Fnasdaq%2Fmain%2Fnasdaq-optionsrules%2F		
ICE Futures US: Rule 21.02(e)		https://www.theice.com/publicdocs/rulebooks/futures_us/21_Disciplinary.pdf	<p>The Vice President can impose a fine for a minor rule violation. The fine is final and payable 15 days following the date of service of the notice. The Vice President always possesses the discretion to proceed by a disciplinary complaint. There is no right of appeal provided in the rules.</p>	<p>Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.</p>
ASX: Rule 2.4		http://www.asx.com.au/documents/rules/enforcement_rules_section_02.pdf and http://www.asx.com.au/documents/rules/enforcement_rules_guidance_note_01.pdf	<p>Instead of commencing a disciplinary process, ASX can issue an Alleged Minor Infringement Notice. ASX issues a notice to the participant mentioning the deadline for compliance. If the participant pays the fine, the participant is not regarded as having admitted to the breach or as having breached the relevant rule. The participant may lodge an appeal of the decision before a disciplinary committee.</p>	<p>The ASX uses the Alleged Minor Infringement Notice for any violation in the "Minor contraventions" category. The deadline and amount of the fine is determined by ASX. The monetary penalties are from \$0 to \$20,000.</p>
IEX: Rule 9.218		https://www.iextrading.com/docs/Investors%20Exchange%20Rule%20Book.pdf	<p>IEX delegates its enforcement to FINRA. FINRA can request that a member or associated person execute a letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such member's or associated person's right to dispute or appeal. If the member or the associated</p>	<p>Maximum of \$2,500. There is a prescribed scale for each violation.</p>



BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES

Regulatory Reference	Period	Link	Process	Characteristics
			person refuses to execute the letter of acceptance, waiver and consent, FINRA takes the appropriate disciplinary measures.	
a) LOPR				
Nothing for BOX				
CBOE Futures (Rules 412B(a) and 412B(b))	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cfe-rulebook.pdf		1st violation: letter of caution, 2nd violation: \$7,500, 3rd violation: \$15,000, 4th violation: Hearing before the Business Conduct Committee
CBOE (Rule 4.13)	24 consecutive months	http://cchwallstreet.com/CBOEtools/PlatformViewer.asp?SelectedNode=chp_1_2&manual=/CBOE/rules/cboe-rules/		1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500, subsequent violations: \$5,000 or hearing before the Business Conduct Committee
CME (Rule 561)	12 consecutive months	http://www.cmegroup.com/rulebook/CME/l/5/5.pdf		Minimum of \$1,000, maximum of \$10,000. The determination of the fine is at the discretion of the Chief Regulatory Officer.

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
NASDAQ (Chapter III Section 7-10)	24 consecutive months	http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_10&manual=%2Fnasdaq%2Fmain%2Fnasdaq-optionsrules%2F		1st violation: \$1,000, 2nd violation: \$2,500, 3rd violation: \$5,000
ICE Futures US (Rule 6.15 (a)(b))	None	https://www.theice.com/publicdocs/rulebooks/futures_us/6_Regulatory.pdf		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.
Nothing for IEX				
b) Position limits				
BOX (Rule 3120)	24 consecutive months	http://bmb-prod-na-eastus-eg-prod.azurewebsites.net/browse/965df46c7b431000ada6001b7840a5b2010		1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500, subsequent violations: \$5,000
CBOE Futures (Rule 412 A)	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cferulebook.pdf		Covers levels of accountability for positions, all expiries combined. 1st violation: warning letter, 2nd violation: \$7,500, 3rd violation: \$15,000,

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
				subsequent violations: hearing before the Business Conduct Committee.
CBOE (Rules 4.11 and 4.12)	24 consecutive months	http://cchwallstreet.com/CBOEtools/PlatformViewer.asp?SelectedNode=chp_1_2&manual=/CBOE/rules/cboe-rules/		1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500, subsequent violations: \$5,000 or a hearing before the Business Conduct Committee
Nothing for CME				
NASDAQ (Chapter III Section 7)	24 consecutive months	http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_10&manual=%2Fnasdaq%2Fmain%2Fnasdaq-optionsrules%2F		Sanctions for late filing of position limits reports are: 1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500. Sanctions for contracts above the position limits: 1 to 3 above 5% in excess of the applicable limit: letter of caution, 1 to 3 above 5% in excess of the applicable limit: \$1 per contract, 4 to 6 contracts: \$1 per contract over limit, 7 or more: \$5 per contract over limit.
ICE Futures US (Rule 6.13)	None	https://www.theice.com/publicdocs/rulebook		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
		s/futures_us/6_Regulatory.pdf		
Nothing for IEX				
c) Designation of orders				
Nothing for BOX				
CBOE Futures (Rule 403(a)(vii)-(viii))	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cferulebook.pdf		Failure to correctly designate the types of accounts attached to an order: 1st violation: letter of caution, 2nd violation: \$2,500, 3rd violation: \$5,000, 4th violation: \$7,500, 5th violation: \$10,000, subsequent violations: hearing before the Business Conduct Committee.
				Failure to correctly designate the account with its associated account number: 1st violation: letter of caution, 2nd violation: \$2,500, 3rd violation: \$10,000, subsequent violations: hearing before the Business Conduct Committee.
Nothing for CBOE				

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
CME (Rules 536B, 536D and 576)	12 consecutive months	http://www.cmegroup.com/rulebook/CME/I/5/5.pdf		Minimum of \$1,000, maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.
Nothing for NASDAQ				
ICE Futures US (Rule 27.09(a-b-c))	None	https://www.theice.com/publicdocs/rulebooks/futures_us/27_Electronic_Trading_Rules.pdf		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.
IEX (Rule 11.420)	12 consecutive months	https://www.iextrading.com/docs/Investors%20Exchange%20Rule%20Book.pdf		Refers to FINRA rule 7440. The participant must immediately correctly identify the type of client. 1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500
d) EFP/EFR report				
Nothing for BOX				
CBOE Futures (Rule 414(i-j))	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cferulebook.pdf		Failure to comply with the rules regarding exchange of contract for a related position: 1st violation: letter of caution, 2nd violation: \$7,500, 3rd violation: \$15,000, subsequent violations: hearing before the Business Conduct Committee.

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
Nothing for CBOE				
Nothing for CME				
Nothing for NASDAQ				
ICE Futures US (Rule 4.06)	None	https://www.theice.com/publicdocs/rulebooks/futures_us/4_Trading.pdf		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.
Nothing for IEX				
e) Compliance with market exposure time				
Nothing for BOX				
CBOE Futures (Rule 415)	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cfe_rulebook.pdf		Failure to comply with the minimum required size for a block trade: 1st violation: \$5,000, 2nd violation: \$10,000, 3rd violation: \$15,000, subsequent violations: hearing before the Business Conduct Committee. Failure to comply with the requirements for reporting a block trade: 1st violation: letter of caution, 2nd violation: \$7,500, 3rd violation: \$15,000, subsequent violations: hearing before the Business Conduct Committee.
Nothing for CBOE				



BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
Nothing for CME				
Nothing for NASDAQ				
Nothing for ICE Futures US				
Nothing for IEX				
f) Failure to send a notice of non-compliance within the prescribed time				
Nothing for BOX				
Nothing for CBOE				
Nothing for CBOE Futures				
Nothing for CME				
Nothing for NASDAQ				
Nothing for ICE Futures US				
Nothing for IEX				
g) Prohibited use of the hidden liquidity function				
Nothing for BOX				
Nothing for CBOE				
Nothing for CBOE Futures				
Nothing for CME				
Nothing for NASDAQ				



BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
Nothing for ICE Futures US				
Nothing for IEX				
h) Granting unauthorized access to the Montréal Automated System (SAM)				
Nothing for BOX				
Nothing for CBOE				
CBOE Futures (Rule 303A)	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cfe-rulebook.pdf		Incorrect entry of operator IDs: 1st violation: letter of caution, 2nd violation: \$2,500, 3rd violation: \$10,000, subsequent violations: hearing before the Business Conduct Committee.
CME (Rule 576)	12 consecutive months	https://www.cmegroup.com/rulebook/files/CME_Group_RA0915-5.pdf et https://www.cmegroup.com/rulebook/files/CME_Group_RA0908-5.pdf		Minimum of \$1,000, maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.
Nothing for NASDAQ				
ICE Futures US (Rule 27.09(c))	None	https://www.theice.com/publicdocs/rulebooks/futures_us/27_Electr		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.

BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES				
Regulatory Reference	Period	Link	Process	Characteristics
		onic Trading Rules.pdf		
Nothing for IEX				
i) Inadequate record keeping of orders				
Nothing for BOX				
Nothing for CBOE				
CBOE Futures (Rule 303-403)	12 consecutive months	https://cfe.cboe.com/publish/cferulebook/cferulebook.pdf		1st violation: letter of caution, 2nd violation: \$2,500, 3rd violation: \$10,000, subsequent violations: hearing before the Business Conduct Committee.
Nothing for CME				
NASDAQ Options Market (Chapter V, Sections 7 and Chapter IX, Sections 1-3)	24 consecutive months	http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_10&manual=%2Fnasdaq%2Fmain%2Fnasdaq-optionsrules%2F		Inadequate information on the audit trail: 1st violation: \$1,500, 2nd violation: \$3,000, subsequent violations: \$5,000. For inadequate recordkeeping: 1st violation: \$2,000, 2nd violation: \$4,000, subsequent violations: \$5,000.
ICE Futures US (Rule 27.12A)	None	https://www.theice.com/publicdocs/rulebooks/futures_us/27_Electronic_Trading_Rules.pdf		Maximum of \$10,000. The determination of the fine is at the discretion of the Vice President.



BENCHMARK - OTHER EXCHANGES MINOR VIOLATIONS REGIMES

Regulatory Reference	Period	Link	Process	Characteristics
IEX (Rule 4.511 et 11.420)	12 consecutive months	https://www.iextrading.com/docs/Investors%20Exchange%20Rule%20Book.pdf		1st violation: \$500, 2nd violation: \$1,000, 3rd violation: \$2,500

BENCHMARK - CANADIAN LAW				
Regulatory Reference	Period	Link	Process	Characteristics
City of Montreal (<i>Traffic and Parking By-Law</i>)		http://ville.montreal.qc.ca/sel/sypre-consultation/afficherpdf?idDoc=34&typeDoc=1	The fine is payable immediately after notice is served and the citizen may lodge an appeal within 30 days before the Municipal Court.	There is a scale of towing sanctions for repeat offenders. Up to \$2,000 per violation.
Sûreté du Québec (<i>Highway Safety Code Title III Chapter IV and Title VIII Chapter VII</i>)		http://legisquebec.gouv.qc.ca/fr/showdoc/cs/C-24.2	The fine is payable immediately after notice is served and the citizen may lodge an appeal within 30 days before the Court of Quebec or the Municipal Court.	Up to \$27,000 per violation
Canada Revenue Agency (<i>Income Tax Act - Rule 162</i>)		http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/ntrst/menu-fra.html et http://laws.justice.gc.ca/fra/lois/i-3.3/page-195.html#h-101	A notice of assessment is served directly to the taxpayer. The taxpayer can dispute the assessment to the CRA's Appeals Branch in writing. The taxpayer can appeal the CRA's Appeals Branch decision to the Tax Court of Canada.	Failure to present, complete and file an income tax return. 5% of the balance owed plus 1% of the balance owing for each full month the payment is late, to a maximum of 12 months plus daily interest. The penalties are higher if fines have been levied in prior years.
Minister of Environment (QC) (Rule 115.13 of the <i>Environment Quality Act</i>)		http://www.mddelcc.gouv.qc.ca/lqe/renforcement/cadre-application-SAP.pdf et http://legisquebec.go	A notice of non-compliance is served to a person. The Ministère has the discretion to impose a sanction or not to the person if such person complies. If the Ministère sanctions a person, the Ministère serves a notice of claim to the person stating the amount claimed, the reasons for the decision and the period	Up to \$10,000 per violation

BENCHMARK - CANADIAN LAW				
Regulatory Reference	Period	Link	Process	Characteristics
		uv.qc.ca/fr/ShowDoc/cs/Q-2/	during which interest will be charged. The notice will mention the person's right to a review and right to dispute the decision before the <i>Tribunal administratif du Québec</i> . The person will have 30 days to appeal the decision to the Minister.	
AMF - Administrative Monetary Penalties Regime (Rule 274.1 and 322 of the <i>Securities Act</i> and Rule 271.13-14-15 of the <i>Securities Regulation</i>)		http://legisquebec.gouv.qc.ca/fr/showDoc/cs/V-1.1?&digest=ethttp://www.lautorite.qc.ca/files/pdf/reglementation/valeurs-mobilieres/rvm/2012-01-01-indexation/2012-01-01-rvm-indexe-fr.pdf	The administrative monetary penalty becomes payable as soon as the Autorité serves notice. The person can request a review of the Autorité's decision within 30 days before the <i>Tribunal administratif des marchés financiers</i> .	Up to \$5 000 per violation
AMF - Administrative Monetary Penalties Regime (Rule 349.1 of <i>An Act respecting trust companies and savings companies</i>)		http://legisquebec.gouv.qc.ca/fr/ShowDoc/cs/S-29.01	The administrative monetary penalty is payable when notice is served by the Autorité. An appeal may be lodged before the <i>Tribunal administratif du Québec</i> within 30 days of the Autorité's decision.	Up to \$1,000,000 per violation
AMF - Administrative Monetary Penalties Regime (Rule 115.2 of		http://legisquebec.gouv.qc.ca/fr/ShowDoc/cs/D-9.2	The administrative monetary penalty is payable when notice is served by the Autorité. An appeal may be lodged before the Court of Quebec.	Up to \$5,000 per violation. Filing of documents, maintaining insurance, etc.

BENCHMARK - CANADIAN LAW				
Regulatory Reference	Period	Link	Process	Characteristics
the Act respecting the distribution of financial products and service)				
FINTRAC - Administrative Monetary Penalties Regime (Rules 73.1 and 73.21 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and the Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulation)		http://laws-lois.justice.gc.ca/eng/acts/P-24.501/page-17.html et http://www.fintrac.gc.ca/pen/2-fra.asp	The penalty is immediately payable when notice and documents are served. The person administered may only appeal serious and very serious violations to the Federal Court.	Minor violation: \$1 to \$1,000, serious violation: \$1 to \$100,000, very serious violation: \$1 to \$100,000 for a person and \$1 to \$500,000 for an entity



D. Fine for Minor Violation

4220 Fine for Minor Violation (00.00.0000)

- a) The Vice-President of the Regulatory Division may in accordance with the procedure provided in articles 4222 and following, for any violation appearing in the *List of Fines for Minor Violations* published on the website of the Bourse, impose a predetermined fine that cannot exceed \$5000 per violation, against an approved participant or an approved person.
- b) The Vice-President of the Regulatory Division, may impose a fine for any violation included in the *List of Fines for Minor Violations* against a former approved participant or approved person, on the condition that violation notice of minor violation is served within the delay provided in article 4101 b).
- c) Notwithstanding the possibility of imposing a fine for a minor violation included in the *List of Fines for Minor Violations* in accordance with paragraphs a), and b) the Vice-President of the Regulatory Division, may, at his discretion, choose to file a complaint in accordance with the procedure provided in articles 4151 and following.

4221 Notice of Minor Violation (00.00.0000)

- a) Before imposing a fine, the Vice-President of the Regulatory Division shall serve a notice of a minor violation to the approved participant or the approved person.
- b) The notice of minor violation shall:
 - i) Be in writing;
 - ii) Be signed by the Vice-President of the Regulatory Division;
 - iii) Contain the following items for each violation:
 - a) the alleged violation;
 - b) the regulatory provision or provisions related to the alleged violation;
 - c) the date of the violation;
 - d) a summary statement of the facts on which the violation is based;
 - e) the amount of the fine for the violation;

- f) the delay of time provided by article 4222 during which the approved participant or the approved person may submit observations or serve a request for the matter to be heard by a Disciplinary Committee;
- g) a notice that failure to submit observations or a response results in foreclosure from contesting any fine to be imposed.

**4222 Observations or Challenge from the Approved Participant or the Approved Person
(00.00.0000)**

- a) Once a notice of minor violation has been served, the approved participant or the approved person may, within twenty business days:
 - i) Submit observations in writing to the Vice-President of the Regulatory Division. These observations must confirm or refute the facts. As part of the process to impose a fine for a minor violation, a defence of due diligence is neither allowed nor receivable; or
 - ii) Contest the notice of fine for minor violation by serving the Vice-President of the Regulatory Division with a request for the matter to be heard by a Disciplinary Committee in accordance with articles 4102 and following, which request must be accompanied by a response as described in article 4152. In this instance, the notice of minor violation is deemed a complaint under article 4101.
- b) If observations are not submitted and the notice of minor violation is not contested within the prescribed time, the approved participant or the approved person will be deemed to have agreed to pay the fine and to have relinquished all rights under the regulations of the Bourse concerning the hearing and contesting the violation.

**4223 Notice of Fine for Minor Violation
(00.00.0000)**

- a) Upon expiry of the delay provided for in article 4222, and after having considered the observations of the approved participant or the approved person, if any, the Vice-President of the Regulatory Division may impose the fine prescribed in *List of Fines for Minor Violations* on this approved participant or this approved person by serving a notice of a fine for violation.
- b) The decision by the Vice-President of the Division to impose a fine for minor violation may be appealed to the Special Committee in accordance with articles 4251 and following. A defence of due diligence is neither allowed nor receivable during the appeal before the Special Committee.



- c) The fine for minor violation imposed against the approved participant or the approved person is payable within the ten business days following service of the notice of fine for minor violation.

**4224 Publication of Information Regarding Fines Imposed for Minor Violations
(00.00.0000)**

The Regulatory Division will make information publicly available, on an anonymous basis, regarding fines imposed for minor violations, including the nature of the minor violations, the fines imposed during the period as well as any other information that the Regulatory Division considers relevant.

**6389A Levy of a Fine
(24.09.01, abr. 00.00.0000)**

~~Any official of the Bourse who has been informed of, or has witnessed a trading infraction or unethical conduct has the authority to investigate the matter and levy a fine not exceeding \$5,000. Such a decision must be ratified by at least two senior officers of the Bourse before being communicated to the person at fault. Such a decision can be appealed to the Special Committee – Regulatory Division.~~

D. Fine for Minor Violation

4220 Fine for Minor Violation (00.00.0000)

- a) The Vice-President of the Regulatory Division may in accordance with the procedure provided in articles 4222 and following, for any violation appearing in the *List of Fines for Minor Violations* published on the website of the Bourse, impose a predetermined fine that cannot exceed \$5000 per violation, against an approved participant or an approved person.
- b) The Vice-President of the Regulatory Division, may impose a fine for any violation included in the *List of Fines for Minor Violations* against a former approved participant or approved person, on the condition that violation notice of minor violation is served within the delay provided in article 4101 b).
- c) Notwithstanding the possibility of imposing a fine for a minor violation included in the *List of Fines for Minor Violations* in accordance with paragraphs a), and b) the Vice-President of the Regulatory Division, may, at his discretion, choose to file a complaint in accordance with the procedure provided in articles 4151 and following.

4221 Notice of Minor Violation (00.00.0000)

- a) Before imposing a fine, the Vice-President of the Regulatory Division shall serve a notice of a minor violation to the approved participant or the approved person.
- b) The notice of minor violation shall:
 - i) Be in writing;
 - ii) Be signed by the Vice-President of the Regulatory Division;
 - iii) Contain the following items for each violation:
 - a) the alleged violation;
 - b) the regulatory provision or provisions related to the alleged violation;
 - c) the date of the violation;
 - d) a summary statement of the facts on which the violation is based;
 - e) the amount of the fine for the violation;

- f) the delay of time provided by article 4222 during which the approved participant or the approved person may submit observations or serve a request for the matter to be heard by a Disciplinary Committee;
- g) a notice that failure to submit observations or a response results in foreclosure from contesting any fine to be imposed.

**4222 Observations or Challenge from the Approved Participant or the Approved Person
(00.00.0000)**

- a) Once a notice of minor violation has been served, the approved participant or the approved person may, within twenty business days:
 - i) Submit observations in writing to the Vice-President of the Regulatory Division. These observations must confirm or refute the facts. As part of the process to impose a fine for a minor violation, a defence of due diligence is neither allowed nor receivable; or
 - ii) Contest the notice of fine for minor violation by serving the Vice-President of the Regulatory Division with a request for the matter to be heard by a Disciplinary Committee in accordance with articles 4102 and following, which request must be accompanied by a response as described in article 4152. In this instance, the notice of minor violation is deemed a complaint under article 4101.
- b) If observations are not submitted and the notice of minor violation is not contested within the prescribed time, the approved participant or the approved person will be deemed to have agreed to pay the fine and to have relinquished all rights under the regulations of the Bourse concerning the hearing and contesting the violation.

**4223 Notice of Fine for Minor Violation
(00.00.0000)**

- a) Upon expiry of the delay provided for in article 4222, and after having considered the observations of the approved participant or the approved person, if any, the Vice-President of the Regulatory Division may impose the fine prescribed in List of Fines for Minor Violations on this approved participant or this approved person by serving a notice of a fine for violation.
- b) The decision by the Vice-President of the Division to impose a fine for minor violation may be appealed to the Special Committee in accordance with articles 4251 and following. A defence of due diligence is neither allowed nor receivable during the appeal before the Special Committee.



- c) The fine for minor violation imposed against the approved participant or the approved person is payable within the ten business days following service of the notice of fine for minor violation.

**4224 Publication of Information Regarding Fines Imposed for Minor Violations
(00.00.0000)**

The Regulatory Division will make information publicly available, on an anonymous basis, regarding fines imposed for minor violations, including the nature of the minor violations, the fines imposed during the period as well as any other information that the Regulatory Division considers relevant.

**6389A Levy of a Fine
(24.09.01, abr. 00.00.0000)**



List of Fines for Minor Violations

Effective Month day, 2017



The *List of Fines for Minor Violations* identifies the violations subject to the imposition of fines by the Vice-President of the Regulatory Division of Bourse de Montréal inc. (the “Division”) and contains the fines for each of these violations (articles 4220 to 4224 of the Rules of Bourse de Montréal). The violations and corresponding fines that may be imposed are:

- a) Incomplete or inaccurate report pertaining to the accumulation of positions for derivative instruments (article 14102(1) of the Rules of the Bourse)

Per business day within a consecutive period of 24 months	Fine
First violation	\$100 or reminder letter
Second violation	\$250
Third violation	\$500
From the fourth to the tenth violation	\$1,000
Subsequent violations	Disciplinary complaint

- b) Exceeding position limits (article 14 157 of the Rules of the Bourse)

Per beneficiary within a consecutive period of 24 months	Fine
First violation	\$1,000 or reminder letter
Second violation	\$2,000
Third violation	\$3,000
Fourth and fifth violation	\$5,000
Subsequent violations	Disciplinary complaint

- c) Non-compliance with the identification of (articles 6366 B) 2.9) and 6376 of the Rules of the Bourse)

Per business day within a consecutive period of 24 months	Fine
First violation	\$500 or reminder letter
Second violation	\$1,000
Third violation	\$2,500
From the fourth to the tenth violation	\$5,000
Subsequent violations	Disciplinary complaint

d) Non-compliance with the time limit for reporting an exchange for physical transaction, or an exchange for risk (EFP/EFRP) (articles 6815 and 6815A of the Rules of the Bourse)

Per transaction within a consecutive period of 24 months	Fine
First violation	\$250 or reminder letter
Second violation	\$500
Third violation	\$1,500
Subsequent violations	\$3,000

e) Non-compliance with the time of market exposure (article 6380 of the Rules of the Bourse)

Per transaction within a consecutive period of 24 months	Fine
First violation	\$1,000 or reminder letter
Second violation	\$2,000
Third violation	\$3,000
Fourth violation	\$5,000
Subsequent violations	Disciplinary complaint

f) Failure to send a notice of noncompliance or a notice of exceeding position limits, within the prescribed time (articles 4002 and 14102(7) of the Rules of the Bourse)

Per finding within a consecutive period of 24 months	Fine
First violation	\$500 or reminder letter
Second violation	\$1,000
Third violation	\$2,500
Subsequent violations	\$5,000

g) Prohibited use of the “hidden liquidity” functionality (article 6380 of the Rules of the Bourse)

Per transaction within a consecutive period of 24 months	Fine
First violation	\$1,000 or reminder letter
Second violation	\$2,000
Third violation	\$3,000
Fourth violation	\$5,000
Subsequent violations	Disciplinary complaint



h) Granting unauthorized access to the automated system (articles 6366 B) and 7403 of the Rules of the Bourse)

Criteria per person	Fine
Number of years = initial registration + each subsequent calendar year	\$500 X number of years
Number of contracts executed	\$0.10 per executed contract

i) Inappropriate or incomplete recordkeeping of orders (article 6377 of the Rules of the Bourse)

Per business day within a consecutive period of 24 months	Fine
First violation	\$500 or reminder letter
Second violation	\$1,000
Third violation	\$2,500
From the fourth to the tenth violation	\$5,000
Subsequent violations	Disciplinary complaint