



CIRCULAR 175-21

October 18, 2021

PREARRANGED TRANSACTIONS ORDER PRIORITIES REMINDER

The Regulatory Division (“the Division”) of Bourse de Montréal Inc. (the “Bourse”) would like to remind Canadian and Foreign Approved Participants (collectively, the “Participants”) of the rules pertaining to the priority of orders when executing prearranged transactions, particularly for equity, ETF and Index options.

As per subparagraph [6.205\(b\)\(iii\)](#) of Prearranged Transactions:

“The party that initiates communication regarding a prearranged Transaction shall have his or her order entered into the Electronic Trading System first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; provided however, that in a prearranged Transaction between an Approved Participant and a customer for an equity, ETF or Index Option, the customer’s order shall always be entered into the Electronic Trading System first, regardless of which party initiated the communication.”

Furthermore, Article [6.114](#) on Order Priorities dictates that:

*The management of orders’ priorities is made on the basis of the chronology of their receipt. The orders initiated for the Firm Account of Approved Participants must be made on an order ticket at the same conditions as those for client orders. In all cases, each Approved Participant is responsible for insuring that, at the same price and time stamp, **it gives priority to client orders over its own professional orders**, unless the client has expressly waived the priority of his order and that such waiver is documented by the Approved Participant.*

Most importantly, as per paragraph [6.115\(a\)](#), “Approved Participants must ensure the proper identification of orders when entered into the Trading System in order to ensure compliance with the provisions of Article [6.114](#) regarding management of priorities.” More specifically, subparagraph [6.115\(a\)\(i\)](#) defines a **customer order** as “an order for a Security or a Derivative Instrument entered for the account of a customer of any Approved Participant or of a customer of a Related Firm¹ of an Approved Participant, but does not include an order entered for an account in which an Approved Participant, a Related Firm of an Approved Participant or an Approved Person has a direct or indirect interest, other than an interest in a commission charged.” On the other hand, a **Firm order** is defined as “an order for a Security or a

¹ As defined in [Article 1.101](#)

Derivative Instrument for an account in which the Approved Participant or a Related Firm of the Approved Participant has a direct or indirect interest, other than an interest in a commission charged.”

The Division would also like to remind Participants that, as per Q5 in the [FAQ](#) on order identification, when an Approved Participant receives an order from another Approved Participant of the Bourse for its own account, this order must be identified as a **Firm order**.

Failure to comply with the above-mentioned requirements may result in disciplinary sanctions.

For more information or for any questions, contact the Regulatory Division, at 514 787 6530 or toll-free in Canada and the US at 1 800 361 5353 extension 46530, toll-free in Great Britain or France at 0800 361 5353 extension 46530, or by email at info.mxr@tmx.com.

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