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CIRCULAR
November 21, 2005

REQUEST FOR COMMENTS

FOREIGN CURRENCIES BALANCES HELD IN REGISTERED RETIREMENT SAVINGS PLANS

AMENDMENTS TO THE NOTES AND INSTRUCTIONS OF STATEMENT A OF THE JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT – POLICY C-3

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to the Notes and Instructions of Statement A of Policy C-3 of the Bourse. The purpose of these amendments is to permit the treatment as allowable assets of foreign currencies balances held by a registered account trustee who qualifies as an acceptable institution and which is a participating institution of either the Canadian Deposit Insurance Corporation of Canada (CDIC) or the Autorité des marchés financiers (AMF).

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. 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.

Circular no.: 173-2005

Tour de la Bourse
P.O. Box 61, 800 Victoria Square, Montréal, Quebec H4Z 1A9
Telephone: (514) 871-2424
Toll-free within Canada and the U.S.A.: 1 800 361-5353
Website: www.m-x.ca

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 the approval or amendment of some aspects of the Rules and Policies of the Bourse governing approved participants, among which, the Rules and Policies relating to margin and capital requirements. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules and Policies with recommendation from the Special Committee. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to the Notes and Instructions of Statement A of Policy C-3 of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

*Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
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*

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, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca*

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, if applicable, with the other Canadian self-regulatory organizations following approval by the "Autorité des marchés financiers".



FOREIGN CURRENCIES BALANCES HELD IN REGISTERED RETIREMENT SAVINGS PLANS

– AMENDMENTS TO THE NOTES AND INSTRUCTIONS OF STATEMENT A OF THE “JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT” – POLICY C-3 OF THE BOURSE

I OVERVIEW

A) Current Rules

The current rules of Bourse de Montréal Inc. (the Bourse) consider foreign currencies balances held in Registered Retirement Savings Plans (RRSP) as allowable assets, provided such balances be held by a trustee which qualifies as an acceptable institution and that they be insured by the Canadian Deposit Insurance Corporation of Canada (CDIC) or by the Régie de l'assurance-dépôt du Québec (RADQ). Since neither the CDIC nor the RADQ offer coverage for foreign currencies balances, such balances, when held in RRSP accounts, are treated as non-allowable assets.

B) The Issue

In their current state, the rules are such that the foreign currency balances held in RRSPs result in a capital penalty for approved participants. This is not only inappropriate but also contradictory with the treatment of other assets held by an acceptable institution on behalf of an approved participant. In no other case does the capital formula require that such asset be eligible to the deposit insurance coverage offered by the

CDIC or the RADQ¹ in order to allow an approved participant to treat an asset held on its behalf by an acceptable institution as an allowable asset.

It was concluded that it was more appropriate to treat as allowable assets any balances in foreign currencies held with an acceptable institution which is a participating institution to the CDIC or to the AMF.² The current rules of the Bourse should therefore be amended to allow such a treatment.

C) Objective

The purpose of the proposed regulatory amendment is to allow the treatment as allowable assets of foreign currencies balances held by an acceptable institution, which is a participating institution of either the CDIC or the AMF in regards to deposit insurance.

D) Consequences of the proposed rules

It is considered that the proposed amendments to the Notes and Instructions of Statement A of Policy C-3 of the Bourse (Joint Regulatory Financial Questionnaire and Report) will have no impact on market structures, uniformity of treatment among approved participants, competition, compliance costs and compliance with other rules.

¹ Since the creation of the Autorité des marchés financiers (AMF) on February 1, 2004, the RADQ no longer exists and it is now the AMF which is responsible for the protection of deposits made by persons with Québec chartered financial institutions. This transfer of responsibility to the AMF did not change anything to the nature of the protection that was offered by the RADQ. Furthermore, the protections offered by the RADQ are identical to those offered by the CIDC.

² See note 1 above. In the remainder of the text of this analysis, it is referred to the AMF rather than to the RADQ.

II DETAILED ANALYSIS

A) Current rules and proposed amendments

It was not deemed necessary to make a detailed analysis.

B) Other issues and solutions considered

No other solution was considered.

C) Comparison with similar provisions

It was not deemed necessary to make a comparison with similar provisions in the United Kingdom and the United States.

D) Impact of proposed amendments on systems

It is estimated that the implementation of the proposed amendments will have no impact on systems for what regards approved participants or the public. The Investment Dealers Association of Canada (IDA) is also currently adopting similar amendments.

E) Interests of financial markets

The Bourse considers that the proposed regulatory amendment will not affect the interests of financial markets.

F) Public Interests

The purpose of the proposed regulatory amendment is to normalize the industry practices where necessary or advisable to ensure the protection of investors.

The proposed amendment will not result in unfair discrimination between clients, issuers, dealers, approved participants or other intermediaries. It will not impose upon competition an inappropriate or unnecessary burden in connection with the above-mentioned objectives.

It was also estimated that the proposed amendments are of public interest since they

intend to eliminate a useless regulatory burden for approved participants and the investing public.

III COMMENTS

A) Efficiency

As indicated above, the objective of the proposed regulatory amendments is to eliminate a useless regulatory burden for approved participants and the investing public. It is estimated that this amendment will be efficient for the purpose of this objective.

B) Process

The first step of the approval process for the regulatory amendments proposed in the present document consists in having the proposed amendments approved by the Special Committee – Regulatory Division of the Bourse. The proposed amendments are then submitted to the approval of the Rules and Policies Committee of the Bourse. Once the approval of the Rules and Policies Committee is obtained, the project is published by the Bourse for a 30-day comment period and submitted to the Autorité des marchés financiers for approval and to the Ontario Securities Commission for information.

IV SOURCES

- Policy C-3 of Bourse de Montréal – Joint Regulatory Financial Report and Questionnaire – Statement A Notes and Instructions.

STATEMENT A
NOTES AND INSTRUCTIONS
[comparative figures to be completed at audit date only]

“Line 2 – The trustee(s) for RRSP or other similar accounts must qualify as an Acceptable Institution and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or the Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then 100% of the balance held in trust must be reported by the Member as non allowable assets on line 28. The RRSP or and other similar balances held at such trustee(s) but for which CDIC or the AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC). The name(s) of RRSP trustee(s) used by the Member must also be provided on Schedule 4.