



CIRCULAR 015-21

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2021 COMPLIANCE PRIORITIES AND REGULATORY DIVISION INITIATIVES

Bourse de Montréal Inc. (the “Bourse”) is recognized by the Autorité des marchés financiers (the “Autorité”) as an exchange and self-regulatory organization. The Regulatory Division (the “Division”) is a separate unit of the Bourse responsible for carrying out the Bourse’s regulatory functions and operations. The purpose of this circular is to share the 2021 compliance priorities as well as the Division’s ongoing initiatives.

Early in 2020, the Covid pandemic materially changed the operations of nearly every financial institution as significant numbers of staff moved to working from home since the health and safety of industry members were a priority. This meant the industry was forced to quickly reconsider working arrangements. Business Continuity Plans were triggered in part or in whole, and adjusted accordingly. Participants were invited to work with the Division, other regulators and infrastructure providers to identify challenges in their operating models and alternative measures adopted during the pandemic. The Covid-19 pandemic also prompted the Division to review its own regulatory requirements and subsequently provide additional guidance and flexibility from the current standard to accommodate temporary emergency measures and allowances.

Regardless, throughout 2020, the Division continued to work diligently on improving its technological tools used for market surveillance and for handling requests from Approved Participants. First, and as a result of the Division’s commitment to improving its surveillance program, a vendor was chosen to deliver a robust system with extensive capabilities, following a careful selection process. Furthermore, the Division developed and launched additional modules on the Participant Portal (the “Portal”), namely the [DEA Client](#) and [Designated Representative](#) modules.

By October 2020, the Division announced a management team under a [new operational structure](#), marking the consolidation of three of the Division’s core regulatory functions and the introduction of two new services.

The management team also reviewed and revised its mission and vision statements.

Mission : To ensure the integrity of the derivatives markets and promote a culture of compliance.



Vision : The Division contributes to maintaining fair and equitable markets by favoring innovation, transparency and collaboration with various stakeholders.

Along with its core regulatory activities, the Division is committed to key strategies to support this mandate. In 2020, some of these strategies included conducting a Participant survey, convening the Regulatory User Group on a regular basis and publishing multiple rule amendments.

2021 Compliance Priorities

Supervision and surveillance of trading activity will be a significant area of focus. While the pandemic has had a considerable impact on financial markets and marketplaces, the 2021 economic outlook continues to remain somewhat uncertain thus necessitating the enhancement of framework for supervision and the development of surveillance capabilities. For Approved Participants, best practices dictate devoting adequate resources to compliance staff, working with trading staff, reviewing trader communications for potential misconduct, and supporting an IT infrastructure for effective trade surveillance (onsite or remotely). Participants are encouraged to consult regulators when guidance is required on surveillance issues.

Additionally, while conducting many of its regulatory activities, namely inspections, market analyses, investigations, and disciplinary matters, as well as in light of questions, comments and complaints received, the Division has identified other compliance gaps or failures. The Division therefore invites Approved Participants to pay particular attention to the following items and to ensure that their practices comply with the regulatory requirements, especially within the pandemic-induced landscape :

1. Establishing and maintaining a supervisory and compliance system which is reasonably designed to enforce regulatory compliance. Approved Participants must adhere to supervision and surveillance requirements regardless of whether trade activity is conducted directly or through access provided by another Approved Participant. A supervisory system refers in particular, to all the means, measures, procedures and processes in place to ensure compliance with regulatory requirements. This includes evaluating and documenting trade activity for evidence of potential manipulation or misconduct, adjusting the surveillance program for employees working remotely. (See [article 3.100](#) and [Guidelines for Supervision and Compliance Obligations](#))
2. Updating policies and procedures when regulatory amendments come into effect. The Division reminds all Approved Participants of the importance in keeping their written policies and procedures up-to-date to reflect any rule modifications. A Participant should review its policies and procedures on a regular basis considering its business model, structure and risks, to ensure accuracy, completeness and effectiveness. Any change must then be

communicated to the Participant's personnel. (See [article 3.100](#) and [Guidelines for Supervision and Compliance Obligations](#))

3. Maintaining full and complete records. An Approved Participant must maintain required records and documents that comply with all recordkeeping and record retention obligations. One such example would be ensuring each party to an Exchange for Related Product transaction maintains full and complete documentary evidence relating to the transaction. (See [article 3.109](#), [article 6.118](#) and [article 6.208](#))¹

The Division personnel remains available to answer any questions related to these items or to discuss any regulatory concerns or issues. Furthermore, if additional information or clarification is required, do not hesitate to contact the Division (coordinates may be found at the end of this circular).

2021 Division Initiatives

In 2021, the Division wishes to maintain and encourage further collaboration with the various stakeholders in order to foster a compliance culture while protecting the integrity of the derivatives markets. To support this collaboration, the Division is launching a Regulatory Outreach Program in order to have a dedicated resource working proactively with market participants.

It is also important for the Division to carry out its activities in an efficient and transparent manner, particularly by developing and applying rules and policies that take market challenges into consideration. This year, the Division intends to continue soliciting comments from members of the User Group before the publication of FAQs, guidelines or for any other regulatory initiative of the Division.

Below are some initiatives that the Division will pursue during the course of 2021:

1. Adopting and optimizing better surveillance tools;
2. Working proactively with market participants and disseminating detailed information on the regulatory activities of the Division by launching a Regulatory Outreach Program;
3. Consulting with Approved Participants and other industry stakeholders on the Division's upcoming regulatory amendments;
4. Revamping the Division's website for improved access to information;
5. Implementing a new model using machine learning and developed with *IVADO* for detecting anomalies on the options markets; and
6. Establishing cybersecurity requirements for Approved Participants.
7. Adopting the new position limit methodology and self-certifying the associated rule amendments on position limits.

¹ In light of the ongoing pandemic, acceptable temporary alternative measures may be found [here](#).



These initiatives will be the subject of a collaborative approach with the various stakeholders, particularly through exchanges and discussions during the Division's User Group meetings.

Finally, the Division intends to continue publishing a semiannual newsletter to share observed best practices, frequent examination findings and general information concerning its regulatory operations, including fines for minor violations imposed during the period, as well as the [Scorecard](#) relating to an Approved Participant's level of compliance.

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 ext. 46530, toll-free in Great Britain or France at 00 800 36 15 35 35 ext. 46530, or by email at info.mxr@tmx.com.

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