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CIRCULAR
March 28, 2013

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. ARTICLE 6654 “REPORTS RELATED TO OPTIONS POSITIONS” AND ARTICLE 14102 “REPORTS RELATING TO THE ACCUMULATION OF POSITIONS FOR DERIVATIVE INSTRUMENTS”

The Rules and Policies Committee of Bourse de Montreal Inc. (the Bourse) has approved amendments to articles 6654 and 14102 of the Rules of the Bourse concerning reports on the accumulation of positions in derivative instruments that must be submitted by approved participants to the Regulatory Division of the Bourse. These changes have been self-certified in accordance with the self-certification process as established in the Derivatives Act (RSQ, chapter I-14.01) and will come into force on April 1, 2013.

Nature of regulatory changes implemented

The amendments to articles 6654 and 14102 of the Rules of the Bourse first aim to regroup in one single place, in article 14102, all the requirements related to derivative instruments positions reports that must be provided by approved participants to the Regulatory Division of the Bourse (the Division). To this end, the text of article 6654 of the Rules which focused on options positions reports has been completely repealed, retaining only a reference to article 14102. Certain provisions of section 6654, including the reporting thresholds applicable to option contracts, are now in article 14102.

In addition to the regrouping in article 14102 mentioned above, the amendments made bring significant changes that are worth mentioning.

Frequency and deadline for submission of position reports

Amendments concerning the frequency and time of transmission of reports on derivative instruments reports represent one of the most significant changes made to the regulations of the Bourse regarding these reports.

Circular no.: 051-2013

Until now, article 6654 of the Rules of the Bourse was providing, with respect to options contracts, that position reports had to be submitted no later than the third business day following the last business day of each week and that these reports had to indicate the positions held this last business day. In other words, the options positions reports had to be submitted only once a week and approved participants had until the Wednesday of each week to report positions held at the close of business on the previous Friday¹.

It followed therefore that the positions reports transmitted to the Division were received with a significant delay, which meant that the information contained in these reports was often already obsolete at the time of reception due to the trading activity carried on by approved participants and/or their clients during the three days subsequent to the last working day of each week. It was also resulting in delays in the recognition of situations where permitted position limits had been exceeded.

For futures contracts, the problem was less serious because the provisions of article 14102 allowed the Bourse to prescribe any frequency and there was no stipulated delay for the transmission of the concerned reports. Moreover, taking advantage of the flexibility afforded by these provisions, the Division requires, since February 2012, that positions reports for futures contracts and options on futures contracts be transmitted on a daily basis and this no later than 8:00 am (Montreal time)².

The changes made to section 14102 (paragraphs 1) and 2)) are now ensuring that all derivative instruments listed on the Bourse are subject to a single requirement regarding the reporting of positions, this requirement being that position reports must be submitted every day and that these reports must be transmitted to the Bourse no later than 8:00 am (Montreal time) the next business day.

Information relating to accounts subject to positions reporting

In parallel with the drafting of the regulatory amendments discussed in this circular, the Regulatory Division, in collaboration with the Information Technology Department of the Bourse, led the development of a new tool to be used by approved participants to prepare and transmit positions reports to the Division, the LOPR tool. The use of this tool, which has been in place since July 2011 and is already used by many approved participants, will become mandatory at the same time that the regulatory amendments will come into force on April 1, 2013.

In order to enable the Regulatory Division to properly identify and classify the accounts subject to positions reports, the LOPR tool contains information fields that must be filled. The new paragraph 3) of article 14102 specifies what is the information that must be provided with respect to accounts subject to positions reports, thus reflecting the information that must be entered in the LOPR tool.

¹ Or the preceding business day if the Friday was a holiday. The transmission delay in the following week was also adjusted if there was a holiday during that week

² See Circular No. 003-2012 issued by the Bourse on January 12, 2012 (http://m-x.ca/f_circulaires_en/003-12_en.pdf)

Use of unique identifiers

In addition to requiring the mandatory input of information allowing to properly identify and classify the accounts subject to positions reports, the LOPR tool requires the use of unique identifiers whose aim is mainly to be able to link accounts with the same beneficial owner when such beneficial owner has several accounts with the same approved participant.

Although the way to create and establish these unique identifiers has already been explained in various documents published by the Regulatory Division over the past two years such as circulars and various guides regarding the LOPR tool³, it was deemed appropriate to codify it in the Rules of the Bourse.

Article 14102 of the Rules, as amended, therefore includes a new paragraph 4) which details the requirements for the establishment of unique identifiers and this both for individuals and for corporations.

Aggregation of accounts

Until now, the regulations of the Bourse lacked clarity in regard to the need to aggregate accounts owned or controlled by the same beneficial owner to determine if the positions held in these accounts should be the subject of positions reports.

The new paragraph 5) of article 14102 clarifies this point by stating clearly that all accounts belonging to the same beneficial owner must be taken into consideration in determining whether the reporting thresholds are reached and, as the case may be, if a positions report must be produced with respect to accounts held by this beneficial owner.

In addition, for further clarity, the new paragraph 5) of article 14102 defines what is meant by "control" for the purposes of this Rule.

Grouping of reporting thresholds

Until now, the positions reporting thresholds applicable to the various derivative instruments traded on the Bourse could be found in various places in the Rules of the Bourse, those applicable to options being in article 6654 and those relating to futures contracts being in various sections of Rule 15 of the Bourse. Such scattering could cause consultation problems for approved participants agreed and it was therefore deemed useful to add a new paragraph 6) in article 14102 where can be found the positions reporting thresholds for all the derivative instruments traded on the Bourse, thus allowing to get acquainted with these thresholds at a single glance.

It is important to note that no changes were made to the thresholds that already existed.

The list of reporting thresholds is supplemented by a provision allowing the Bourse to impose lower reporting thresholds if it deems it necessary.

³ On this matter, one can consult the full documentation related to the LOPR tool in the LOPR section of the Regulatory Division website at <http://reg.m-x.ca/en/>

Exemption and delegation mechanisms

Currently, some approved participants of the Bourse do not trade any of the derivative instruments listed on the Bourse, be it for their own account or on behalf of their clients and in many cases they do not expect, in the short and medium term, to trade such instruments.

In addition, some other approved participants, although they trade these derivative instruments, prefer to entrust the production of position reports to a third party. This is the case, among others, of approved participants having an Introducing Broker status, of those who do not perform their own clearing and of those who prefer to take advantage of the resources of their IT service providers.

To meet the needs and expectations of these approved participants, the Bourse has added two new paragraphs to article 14102.

The new paragraph 8) establishes what conditions are necessary to be exempted from the obligation to transmit position reports while new paragraph 9) establishes the conditions to be satisfied by an approved participant to be allowed by the Bourse to delegate the transmission of its positions reports to a third party.

In the case of delegation, it is important to mention that the approved participant who makes such a delegation remains responsible for compliance with the obligations laid down in article 14102. This means that it must ensure that the third party to whom it has delegated the task of transmitting its positions reports to the Bourse performs this task at the frequency and the time required by the rules and that the information which is transmitted is complete and accurate.

Comments received

The regulatory amendments discussed in this circular were subjected to a request for comments published by the Bourse June 16, 2011 (Circular 109-2011). Following the publication of this circular, the Bourse has received letters of comment. A summary of these comments as well as responses from the Bourse to these comments are appended.

For more information, please contact Mr. Frank Barillaro, Director, Market Analysis and Project Management, Regulatory Division, at 514-871-3595 or by e-mail at fbarillaro@m-x.ca.

Jacques Tanguay
Vice President, Regulatory Division

6654 Reports Related to Options Positions Limits

(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 01.04.13)

~~a) Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report prepared in compliance with article 14102, no later than three business days following the last business day of each week, a report in such form as may be prescribed, giving the name and address of any client who, on the last business day of any week, held aggregate long or short positions in excess of:~~

~~i) 250 contracts, in the case of stock and bond and 500 contracts, in the case of index participation units;~~

~~ii) 1,500 contracts, in the case of index options;~~

~~iii) 500 contracts, for currency options;~~

~~iv) 250 options or futures equivalent contracts (as defined in article 6651) with respect to a position involving the option and the underlying futures contract, in the case of options on Government of Canada Bond futures;~~

~~v) 300 options or futures equivalent contracts (as defined in article 6651) with respect to a position involving the option and the underlying futures contract, in the case of options on Canadian Bankers' Acceptance futures;~~

~~— on the same side of the market in any single class. The report shall indicate for each such class of options, the number of contracts comprising each such position and, in the case of short positions, whether covered or uncovered.~~

~~vi) The position limits requirements described above apply to sponsored options by using an equivalent unit of trading.~~

~~b) In addition to the reports required above, each approved participant shall report immediately to the Bourse any instance in which the approved participant has reason to believe that a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established in article 6651.~~

~~c) For the purposes of this article, the term "client" in respect to any approved participant shall include the approved participant, any general or special partner of the approved participant, any officer or director of the approved participant, or any participant, as such, in any joint group or syndicate account with the approved participant or with a partner, officer or director thereof.~~

APPENDIX A

6654 Reports Related to Options Positions

(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 01.04.13)

Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report prepared in compliance with article 14102.

APPENDIX A

14102 Reports Pertaining to the Accumulation of Positions for Derivative Instruments

(24.04.84, 01.06.84, 13.09.05, 04.03.08, 01.04.13)

- 1) Each approved participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in derivative instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these derivative instruments.
- 2) Any report transmitted to the Bourse pursuant to this Rule must be transmitted not later than 8:00 a.m. (Montreal time) on the business day following the one for which positions must be reported.
 - ~~a) Each approved participant must file with the Bourse, on a weekly basis or as otherwise required by the Bourse, a report, in such form as may be prescribed, giving the name, address and account number of any clients and/or persons controlling this account who hold a position in excess of the reporting limit stipulated by the Bourse for each class of derivative instruments listed on the Bourse. The Bourse may, at its discretion, require reports from one or more approved participants on a smaller number of positions owned or controlled;~~
- 3) For each account subject to a positions report to the Bourse, each approved participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:
 - a) the name and complete coordinates of the account beneficial owner;
 - b) the full account number as it appears in the approved participant records;
 - c) the account type (client, firm, market-maker, professional or omnibus);
 - d) the beneficial account owner classification according to the typology established by the Bourse;
and
 - e) the identification of the nature of transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.
- 4) In addition to providing the above-mentioned information to the Bourse, each approved participant must provide, for each account being reported, a unique identifier complying with the following requirements:
 - a) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural person:
 - i) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the approved participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.
 - b) for any account owned by many natural persons such as a joint account, an investment club account, partnership or holding company:

APPENDIX A

- i) if one of the natural persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above ;
- ii) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.
- c) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:
 - i) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;
 - ii) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal Entity Identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier ~~government authority having issued the incorporation certificate of this other corporation;~~
 - iii) in all other cases, the unique identifier must be the Legal Entity Identifier of the corporation in whose name the account has been opened;
 - iv) if, for corporations mentioned in subparagraphs c) ii) and c) iii), no Legal Entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.

In the case where neither the Legal Entity Identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the approved participant in reason of legal or regulatory restrictions, the approved participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the approved participant in a format that it deems appropriate.

Any unique identifier, be it or not created by the approved participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.

For the purposes of this paragraph c), the term “Legal Entity identifier” means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of derivative instrument.

52) In order to determine if the reporting thresholds are attained, approved participants must aggregate positions held or controlled by the same account beneficial owner.

For the purposes of this article, the term “control” means a beneficial ownership interest greater than 50%.

63) The reporting thresholds established by the Bourse are as follows:

a) For each options class other than options on futures contracts:

APPENDIX A

i) 250 contracts, in the case of stock and trust units options;

ii) 500 contracts, in the case of options on Exchange Traded Fund unit options;

iii) 500 contracts, in the case of currency options;

iv) ~~15,000~~500 contracts, in the case of index options;

b) For futures contracts and the related options on futures contracts:

i) 300 contracts, in the case of futures contracts and options on futures contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on options on futures contracts and positions in the underlying futures contract. In this case, one options contract (OBX) is equal to one futures contract (BAX);

ii) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);

iii) 250 contracts, in the case of futures and options on futures contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on options on futures contracts and positions in the underlying futures contract. For the purposes of aggregating positions, one options contract (OGB) is equal to one futures contract (CGB);

iv) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);

v) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);

vi) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both futures contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);

vii) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);

viii) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);

ix) 500 contracts, in the case of Sector Index Futures (SXA, SXB, SXH, SXY);

x) 250 contracts, in the case of futures contracts on Canada carbon dioxide equivalent (CO2e) units with physical settlement (MCX);

The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in this Rule.

74b)in addition to the reports required under the provisions of the present article mentioned above, each approved participant must report immediately to the Vice-President of the Regulatory Division of the Bourse any instance-situation in which the approved participant has reason to believe that itself or a client, acting alone or in concert with others s-persons, has exceeded or is attempting to exceed the position limits established by the Bourse;

APPENDIX A

~~e) for the purpose of the present article and unless specifically exempted by the Bourse, the term "client" includes the approved participant itself, any partner, officer or director of the approved participant, or any participant, as such, in any joint group, syndicate or omnibus account with the approved participant or with a partner, officer or director thereof.~~

85) An approved participant of the Bourse which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of transactions in any of the derivative instruments listed on the Bourse may be exempted from complying with the requirements as provided for in paragraph 1) of the present article, under the following conditions:

- i) the approved participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the derivative instruments listed on the Bourse in the last calendar year and that it does not plan to trade any of them in a foreseeable future;
- ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with for a limited time not exceeding twelve (12) months;
- iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an approved participant executes a transaction on any of the derivative instruments listed on the Bourse;

96) An approved participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph 1) of the present articleRule. In order for such an exemption to be granted, the following conditions must be met:

- i) the approved participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;
- ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An approved participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;
- iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with for a limited time not exceeding twelve (12) months;
- iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer ~~un~~able to submit position reports on behalf ~~in lieu~~ of the ~~concerned~~ approved participant having delegated such task, pursuant to the requirements of the Bourse;
- v) an approved participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present article and must ensure that all the information transmitted to the Bourse by the delagatee is complete and accurate.

APPENDIX A

14102 Reports Pertaining to the Accumulation of Positions for Derivative Instruments

(24.04.84, 01.06.84, 13.09.05, 04.03.08, 01.04.13)

- 1) Each approved participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in derivative instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these derivative instruments.
- 2) Any report transmitted to the Bourse pursuant to this Rule must be transmitted not later than 8:00 a.m. (Montreal time) on the business day following the one for which positions must be reported.
- 3) For each account subject to a positions report to the Bourse, each approved participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:
 - a) the name and complete coordinates of the account beneficial owner;
 - b) the full account number as it appears in the approved participant records;
 - c) the account type (client, firm, market-maker, professional or omnibus);
 - d) the beneficial account owner classification according to the typology established by the Bourse; and
 - e) the identification of the nature of transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.
- 4) In addition to providing the above-mentioned information to the Bourse, each approved participant must provide, for each account being reported, a unique identifier complying with the following requirements:
 - a) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural person:
 - i) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the approved participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.
 - b) for any account owned by many natural persons such as a joint account, an investment club account, partnership or holding company:
 - i) if one of the natural persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above ;

APPENDIX A

- ii) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.
- c) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:
 - i) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;
 - ii) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal Entity Identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier;
 - iii) in all other cases, the unique identifier must be the Legal Entity Identifier of the corporation in whose name the account has been opened;
 - iv) if, for corporations mentioned in subparagraphs c) ii) and c) iii), no Legal Entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.

In the case where neither the Legal Entity Identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the approved participant in reason of legal or regulatory restrictions, the approved participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the approved participant in a format that it deems appropriate.

Any unique identifier, be it or not created by the approved participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.

For the purposes of this paragraph c), the term “Legal Entity identifier” means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of derivative instrument.

- 5) In order to determine if the reporting thresholds are attained, approved participants must aggregate positions held or controlled by the same account beneficial owner.

For the purposes of this article, the term “control” means a beneficial ownership interest greater than 50%.

- 6) The reporting thresholds established by the Bourse are as follows:
 - a) For each options class other than options on futures contracts:
 - i) 250 contracts, in the case of stock and trust units options;

APPENDIX A

- ii) 500 contracts, in the case of options on Exchange Traded Fund unit options;
 - iii) 500 contracts, in the case of currency options;
 - iv) 15,000 contracts, in the case of index options;
- b) For futures contracts and the related options on futures contracts:
- i) 300 contracts, in the case of futures contracts and options on futures contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on options on futures contracts and positions in the underlying futures contract. In this case, one options contract (OBX) is equal to one futures contract (BAX);
 - ii) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);
 - iii) 250 contracts, in the case of futures and options on futures contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on options on futures contracts and positions in the underlying futures contract. For the purposes of aggregating positions, one options contract (OGB) is equal to one futures contract (CGB);
 - iv) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);
 - v) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);
 - vi) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both futures contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);
 - vii) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);
 - viii) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);
 - ix) 500 contracts, in the case of Sector Index Futures (SXA, SXB, SXH, SXY);
 - x) 250 contracts, in the case of futures contracts on Canada carbon dioxide equivalent (CO₂e) units with physical settlement (MCX);

The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in this Rule.

- 7) in addition to the reports required under the provisions of the present article, each approved participant must report immediately to the Vice-President of the Regulatory Division of the Bourse any situation in which the approved participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse;

APPENDIX A

- 8) An approved participant of the Bourse which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of transactions in any of the derivative instruments listed on the Bourse may be exempted from complying with the requirements as provided for in paragraph 1) of the present article, under the following conditions:
 - i) the approved participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the derivative instruments listed on the Bourse in the last calendar year and that it does not plan to trade any of them in a foreseeable future;
 - ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with;
 - iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an approved participant executes a transaction on any of the derivative instruments listed on the Bourse;
- 9) An approved participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph 1) of the present Rule. In order for such an exemption to be granted, the following conditions must be met:
 - i) the approved participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;
 - ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An approved participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;
 - iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with;
 - iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer able to submit position reports on behalf of the approved participant having delegated such task, pursuant to the requirements of the Bourse;
 - v) an approved participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present article and must ensure that all the information transmitted to the Bourse by the delagatee is complete and accurate.

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
<p>Investment Industry Association of Canada</p> <p>Scotia Capital Inc.</p>	<p>It is preferable to take the time to implement a practical and efficient solution that takes into account the issues raised in our comments, rather than quickly launching an incomplete solution.</p>	<p>The LOPR project was announced to approved participants in April 2010. Surveys were conducted and informal communications were held with some approved participants and ISV suppliers and research on best practices used elsewhere, including the United States, was conducted during the 2009 Fall. The LOPR solution has been developed and put into production in accordance with the industry standards and leaving to approved participants time deemed reasonable by the Bourse. In addition, the mandatory use of the LOPR tool for submitting positions which was originally scheduled for July 25, 2011 has been delayed until April 1, 2013 in order to allow approved participants to incorporate this tool in their positions reporting process. The Bourse believes that it has not acted hastily in this matter and that further delaying the mandatory use of the LOPR tool LOPR would be disadvantageous for the market.</p>
<p>Investment Industry Association of Canada</p> <p>Scotia Capital Inc.</p> <p>National Bank Financial Inc.</p> <p>TD Waterhouse Canada Inc.</p>	<p>Some comments expressed the view that the requirement to provide all or part of the Social Insurance Number (SIN) is contrary to the laws on the protection of personal information.</p> <p>The Regulatory Division of the Bourse should therefore request an audit of safety issues related to personal information to the Quebec Commission d'accès à l'information (CAI) of Quebec and to the Office of the Privacy Commissioner of Canada (OPC) regarding the use of the SIN, including discussions on the possibility of finding solutions equally effective but less intrusive, on the relevance of the aggregation of information requested and on the need for accuracy of the information.</p> <p>The Bourse should review the impact of the project on the</p>	<p>Although the legal opinions obtained by the Bourse regarding the collection of personal information including the last 4 digits of the SIN were to the effect that nothing prohibited the Bourse to request such information and that privacy regulators (the Privacy Commissioner of Canada and the Quebec Commission d'accès à l'information) did not formally disagree that the Bourse requests the last four digits of the Social Insurance Number, the Bourse has agreed to submit itself to the opinion of the Quebec Secretary to Democratic Institutions Reform and Access to Information. According to this opinion, the Social Insurance Number or any part thereof must be used only for tax purposes.</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
	protection of personal information with the relevant authorities	<p>Therefore, although the use of the last four digits of the Social Insurance Number would have permitted to maximize the efficiency of the LOPR tool LOPR, the Bourse has decided to waive this requirement.</p> <p>Approved participants will therefore be permitted, for what regards accounts belonging to individuals, to use an internal identifier created according to their own needs.</p> <p>Finally, regarding the aggregation of accounts belonging to a same owner, the Bourse believes that this is important information that it must obtain in order to ensure optimal management of the risks related to the holding of important positions in derivative instruments. This requirement is therefore maintained.</p>
<p>Investment Industry Association of Canada</p> <p>Scotia Capital Inc.</p> <p>National Bank Financial Inc.</p> <p>TD Waterhouse Canada Inc.</p>	<p>Those who commented expressed many concerns about the protection of customer information, specifically with respect to personal information (including the SIN). These concerns range from the daily transmission of information using a method which, they say, is contrary to their internal security policies to the retention of such information by the Bourse.</p> <p>Additional security measures could therefore be adopted to protect the personal information of customers.</p>	<p>With regard to the transmission of information, it is possible for approved participants to implement some security measures such as encryption of data during its transmission.</p> <p>Once the information is in its possession, the Bourse will be responsible for its protection. The Bourse will take all necessary measures to minimize the risk of security breaches.</p>
Investment Industry Association of Canada	A confidentiality agreement should be signed between the approved participants and the Regulatory Division to ensure the protection	Given its status as a self-regulatory organization, the Bourse considers that it does not have to sign a

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
<p>Scotia Capital Inc.</p> <p>National Bank Financial Inc.</p> <p>TD Waterhouse Canada Inc.</p>	<p>and security of information that will be provided to the Bourse.</p> <p>It should also be possible to have access to the technology policies of the Bourse and to conduct a review of the audit report prepared in accordance with the Canadian Institute of Chartered Accountants 5970 Standard and/or the American Institute of Certified Public Accountants SAS 70 Standard.</p> <p>After discussions with representatives of the IT Department of the Bourse, some commentators believe that it is possible that the computer operations and environment of the Bourse do not comply with the safety standards of approved participants.</p>	<p>confidentiality agreement with the approved participants. Under the recognition decision of the Bourse by the Autorité des marchés financiers (AMF), the Regulatory Division of the Bourse must maintain (and maintains) strict partition measures so that the information it receives be unavailable for any of the other departments of the Bourse. In addition, the code of ethics to which all the Bourse's staff is subjected, including the Regulatory Division staff, imposes a duty of confidentiality to all employees of the Bourse.</p> <p>The Bourse is therefore committed to take all necessary measures to ensure the preservation and protection of confidential information transmitted to it and the secure destruction of such information once the prescribed retention period is terminated.</p> <p>Disclosing its technology policies and audit reports information to persons or entities other than those acting as regulators of the Bourse and to governmental authorities could have damaging consequences for the Bourse regarding the security of its computer systems. The Bourse therefore does not intend to disclose such information to persons or entities other than those to whom it has legal and regulatory accountability obligations.</p> <p>The Bourse believes that the safety standards that it applies are consistent with those generally found in the financial services industry and sustained efforts are made to ensure the maintenance and improvement of these standards.</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
	<p>Confirmation of the responsibility of the Exchange would be appreciated in relation to cases where a possible violation of privacy would occur while personal information is held by the Bourse.</p>	<p>Regarding its responsibility when confidential information provided by the approved participants is in its possession, the Bourse will assume full responsibility for the protection of this information and every effort will be made to avoid any risk of jeopardizing the protection of such information.</p>
<p>Investment Industry Association of Canada TD Waterhouse Canada Inc.</p>	<p>There are concerns about the absence in the regulations (article 14102 of the Rules of the Bourse) of the detail of the information that must be reported. The Rules should provide for a consultation prior to any changes in personal information to be reported.</p> <p>In addition, the websites of the Bourse and of the Regulatory Division should clearly display the relevant Rules and link them with information in plain language on the reports to be submitted explaining to investors why the Regulatory Division needs that the information be collected, what use and disclosure are made of this information and how this one is stored, shared and destroyed once it is in possession of the Bourse.</p>	<p>In light of the comments received, the Bourse has amended the text of article 14102 of the Rules of the Bourse that was originally proposed to list more clearly the nature of the information to be provided. Although the items listed are not exhaustive, they represent the most important information that the Bourse needs for the purpose of monitoring its market.</p> <p>The Rules of the Bourse cannot be amended without a prior public consultation process unless the changes are purely administrative. Such a public consultation must be for a minimum of 30 days. Therefore, in the event that the Bourse would wish to add new items to this list or remove some, this would not be done without a consultation process</p> <p>The section of the website of the Division for the position reports (section LOPR) will be updated to include a link with Rule 14 with specific reference to Article 14102 for reports related to the accumulation of positions for derivatives.</p> <p>The Bourse is currently preparing for its website a FAQ page for investors to allow them to clearly understand what are the positions reporting requirements of the Bourse, what is the information</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		that must be provided and what use of this information is made by the Bourse. This FAQ page will be enhanced gradually if it becomes necessary to add further details.
<p>Investment Industry Association of Canada</p> <p>National Bank Financial Inc.</p> <p>TD Waterhouse Canada Inc.</p>	<p>The 8:00 am deadline on the day following the trade date (T +1) causes problems because, among other things, batch processes are necessary for the maintenance of records and systems. In addition, this deadline would require that the operational staff works outside of normal business hours.</p> <p>Some believe that the submission of multiple reports before the deadline is not feasible and will require too much time.</p> <p>It is therefore suggested that this deadline be moved later in the day or at 8:00 am the second business day following the trade date</p>	<p>So that it can adequately manage the risks associated with the holding of important positions and thus fulfill its oversight role, it is imperative that the Bourse quickly gets the information it needs and that it has sufficient time to analyze this information before the opening of the market. The deadline of 8:00 am is therefore essential to achieve this goal.</p> <p>Several approved participants have solved this time limit issue either by fully automating the reporting process or by entrusting this responsibility to a third party who is able to submit the reports on or before the prescribed time. So there are alternatives to address this concern.</p> <p>Finally, to the knowledge of the Bourse, end-of-day processing referred to in the comments is done either during the evening or during the night and is completed well before the deadline of 8:00 am. Even if following such processing some elements remain unreconciled, the Bourse considers that the existence of such elements should not be an impediment to submit positions reports.</p> <p>Here again, the Bourse has made a compromise that it deems reasonable since it had originally proposed that the positions reports had to be submitted not in the morning of T +1 but on the same day late evening .</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
<p>Investment Industry Association of Canada</p>	<p>The Bourse has been slow to provide important clarifications and documents. In addition, approved participants face a significant degree of complexity regarding the submission of information that is not necessary from a business point of view. Approved participants strive to automate the LOPR requirements but most do not have internal technology solutions or solutions from IT vendors that are effective and would allow for aggregation and daily transmission at T +1. In addition, the costs of implementing such automated solutions are considerable.</p> <p>It is reasonable to implement requirements related to the submissions of reports such as those found in the United States, but the importance of the Canadian derivative instruments market is considerably less than in the U.S. This means that there may be differences with respect to market manipulation.</p> <p>For all these reasons, it is suggested to postpone the implementation at a later date.</p>	<p>The Bourse is fully aware of the complexity for some approved participants to correctly comply with the requirements of LOPR. It is also one of the reasons why the mandatory use of LOPR, originally scheduled for July 25, 2011, has been postponed to a later date, such date being April 1, 2013, despite the fact that many approved participants were ready on this date.</p> <p>Several months have passed since the July 25, 2011 date and this should normally have been more than enough to resolve all the technical issues identified by the approved participants.</p> <p>Even if the mandatory use of the LOPR tool was postponed, the Bourse nonetheless encouraged approved participants who were ready to use this tool on a voluntary basis, allowing them to become familiar with its operation and, as the case may be, identify any technical issues.</p> <p>The Bourse agrees that the Canadian derivative market is considerably smaller than the U.S. market. But the fact remains that this market is experiencing strong growth, the daily volume of contracts traded and open interest having increased very significantly over the last two years. It is therefore a market on which an increasing number of clients trade and hold important positions.</p> <p>One of the potential consequences of such growth is the increase in opportunities for manipulation.</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		<p>In this context, maintaining a manual method of reporting resulting in long delays in receiving the required information was becoming less and less meaningful and the implementation of tools and systems permitting to the Bourse to harmonize its practices and processes with international best practices was becoming an absolute necessity.</p> <p>In addition, the fact that the Bourse market is smaller than the U.S. market does not justify that the Regulatory Division gives less importance to the monitoring of positions that are taken on the Bourse's market as it is required to do pursuant to the obligations imposed by the AMF in its recognition decision and pursuant to the obligations that are set out in the Rules regarding the Regulatory Division of the Bourse.</p> <p>The Bourse is therefore of the opinion that further delaying the mandatory use of the LOPR tool would be disadvantageous for the market.</p> <p>As mentioned previously, several months have passed since the July 25, 2011 postponement, leaving ample time to approved participants for resolving most technical problems related to the LOPR tool.</p>
<p>Scotia Capital Inc. National Bank Financial Inc. TD Waterhouse Canada Inc.</p>	<p>Commentators are concerned about their ability to fully comply with the requirements of the Bourse regarding the aggregation of accounts because the concept of beneficial owner is not documented in their systems. This type of information is therefore not readily available. The collection of such information is done manually and is therefore subject to human error or data corruption. It is therefore requested that the Bourse confirms that it recognizes that all efforts</p>	<p>The Bourse expects that approved participants provide timely and as accurate as possible information. The Bourse however recognizes that in certain circumstances obtaining and submitting the information requested may present some difficulties and that in those cases some errors or delays may occur. Each such situation will be reviewed by the</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
	<p>to make such aggregation will be made on a " best efforts" basis and that any action initiated by the Bourse on the basis of the information received will be used concurrently with the approved participant(s) who supplied the information.</p> <p>It is also noted that the requirement to aggregate accounts by beneficial owner is a new requirement that does not reflect industry practices and that will impose an undue burden on approved participants.</p>	<p>Bourse on a case by case basis.</p> <p>The requirement to aggregate accounts held by the same beneficial owner is in the wake of an international trend to the effect that it is essential not only for regulators but also for brokers to have an overview of all accounts owned or controlled by the same person in order to be able to better manage risk.</p> <p>A good example of this trend is the international LEI (Legal Entity Identifier) project led by the Financial Stability Board and the G-20, which aims to make mandatory the use of a unique identifier for all legal entities. Although in its initial phase this project covers only OTC derivatives, it is already expected to be extended to derivative instruments listed on an exchange.</p> <p>With respect to customers who are individuals, approved participants are required to comply with the "Know your client" rule. The application of this rule requires that any broker be fully able to identify all accounts that belong to or are controlled by the same customer.</p> <p>The Bourse is aware that for many approved participants there may be technical difficulties to achieve such aggregation. It is for this reason that it has established criteria less stringent than those found, for example, in the United States. In general, U.S. brokers have to aggregate accounts when the beneficial ownership exceeds 10%. The Bourse considered that</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		<p>this threshold would cause enormous difficulties of application and instead opted for a threshold of 50%. Aggregation shall therefore be performed only for cases where the beneficial ownership interest is higher than the 50% threshold.</p> <p>It should also be noted that the Bourse has issued a circular in May 2011 in which some details were provided regarding the issue of beneficial ownership (see http://m-x.ca/f_circulaires_en/074-11_en.pdf). This information was also included in the circular No 158-2012 published on November 28, 2012 (see http://m-x.ca/f_circulaires_en/158-12_en.pdf) as well as in the LOPR Regulatory Requirements Guide published on February 21, 2013 (see the "Technical Documents" section on the website of the Regulatory Division at http://reg.m-x.ca/en/lopr/tech_documents).</p> <p>As it becomes necessary, the Bourse is committed to providing all relevant additional clarifications.</p>
<p>National Bank Financial Inc.</p> <p>TD Waterhouse Inc.</p>	<p>The Bourse should publish a privacy code outlining measures and security policies for protecting customer information when it is held by the Bourse.</p> <p>The current policy of the Bourse relating to privacy (http://www.m-x.ca/accueil_politique_en.php?changeLang=yes) does not adequately cover the destruction of information submitted by the approved participants and is contrary to the norms established by other self-regulatory organizations in particular as regards the prescribed retention period of 7 years. The Bourse should therefore implement the same standards of retention of 7 years and a proper procedure for the destruction of information dated 7 years plus one</p>	<p>The Bourse recognizes that the privacy policy which is currently available on its website is not well suited to confidential information that is communicated to the Bourse to comply with regulatory requirements or which is transmitted in connection with analysis, investigations and inspections.</p> <p>The Bourse has therefore started drafting a specific policy related to personal information that is transmitted to the Regulatory Division in connection with its market regulation activities. This policy will include, among others, statements relating to the</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
	day.	<p>retention period of information that is communicated to the Division as well as the destruction of such information. However, precisely in order to maintain optimal security of the information in its possession, the Bourse will not include in this policy information detailing the measures and security policies in place, but only general principles.</p> <p>For what regards the information retention period standards set by the Canadian regulators, although it is not transparent in the information currently available on the websites of the Bourse and Regulatory Division, it is important to mention that the Bourse already complies with these standards and this since their introduction several years ago. The Canadian retention standards impose a minimum retention period of seven (7) years but nothing in these standards precludes a longer retention period if deemed necessary. These standards also impose no obligation to destroy information on the first day following the expiration of the retention period. The Bourse does not therefore undertake to carry out the daily destruction of information on the first day following the expiration of the retention period. Destruction will rather be done by batch and at regular time intervals.</p>
National Bank Financial Inc.	LOPR delegations should not have an annual expiration date.	<p>The Bourse agrees with this proposal and amended the text of article 14201 so that delegations remain in effect until the parties indicate that they intend to terminate.</p> <p>A similar change was also made to the text of article 14201 regarding exemptions.</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
National Bank Financial Inc.	Disagrees with the use of e-mails to make the submission of requests for delegation as this form of communication is considered informal and insecure.	<p>The proposed rules indicate that requests must be made in writing. The choice to make this request in writing via e-mail or letter is at the discretion of each approved participant and the Bourse will accept the request in the format chosen by the approved participant.</p> <p>Regarding the issue of e-mail security, the Bourse has initiated the development and implementation of a technological solution to ensure complete safety of this form of communication. The proposed solution provides, inter alia, the use of passwords and encryption of messages. Only persons specifically designated at approved participants and staff of the Regulatory Division of the Bourse will have the passwords and encryption keys required to access the messages transmitted electronically. The implementation of this secured tool is in its final phase and is scheduled for April 1, 2013.</p>
National Bank Financial Inc.	A formal tripartite contract between the Bourse, the approved participant and the clearing broker or IT services supplier to whom is delegated the task of submitting positions reports should be put in place.	The Bourse believes that the formalization of the delegation with a written agreement between the delegator and the delegatee is in itself a good business practice because it establishes the rights and obligations of each party. The Bourse considers, however, that the decision whether to sign such an agreement is entirely the responsibility of concerned approved participants concerned and that it does not have to be a party to such an agreement or to impose any form or content.
National Bank Financial Inc.	The ability to report positions on behalf of several approved participants represents a significant challenge because the user interface does not allow the submission of several positions reports for different approved participants in a single session.	Reporting positions on behalf of several approved participants should not affect the proposed solution or the prescribed reporting time. Manually submitting positions reports through the user interface is an option

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
	<p>Furthermore, the use of this interface may actually increase the risk because it requires that the positions reports be submitted manually.</p> <p>It is therefore suggested that the Bourse considers other methods for reporting positions before imposing the use of the current interface.</p>	<p>that has been developed to meet the needs of several approved participants, including those who have no positions to declare.</p> <p>Manual submission, however, should be considered as only one of the ways to submit positions reports. Other alternatives, including the automation of the collection and submission of information, are possible and the Bourse recommends that these alternatives be considered and this more particularly by approved participants who have a high number of positions to report and/or submit positions reports of other approved participants pursuant to a delegation agreement.</p>
<p>National Bank Financial Inc.</p>	<p>The LOPR user interface does not facilitate the reporting of positions when there is no position to report, since it requires approved participants to connect to submit a "no position to report" statement.</p>	<p>The Bourse believes that a daily statement indicating that there are no positions to report is essential to enable it to distinguish between cases where an approved participant fails to submit a positions report and those where it there is actually no positions to report. Submitting a daily statement indicating that there is no position to report only takes a few seconds and can even be automated. Submission of such a statement will avoid to constantly communicate with approved participants who do not have positions to report to verify if the fact of not having submitted a report is due to the absence of reportable positions or to a failure to submit the required report.</p> <p>The Bourse therefore believes that the benefits of such a submission far outweigh its perceived disadvantages since it permit to avoid losses of time by all parties to obtain and/or provide explanations in relation to the</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		<p>non-submission of reports.</p> <p>Here again, automating the submission process is an alternative approved participants should consider.</p>
National Bank Financial Inc.	The Bourse should consider other methods of submission of position reports, such as the SFTP protocol, which is considered the industry standard, before imposing to approved participants the use of the LOPR interface or of the SAIL protocol proposed by the Bourse	Other alternatives were considered by the Bourse, including use of the SFTP protocol. These alternatives, however, have not been retained because they did not meet all the requirements of the Regulatory Division.
National Bank Financial Inc. TD Waterhouse Canada Inc.	<p>The LOPR tool does not facilitate the submission of corrections to positions reports.</p> <p>Unreconciled positions reports may have to be submitted to comply with the time limit (8:00 am).</p> <p>For some, having to submit unreconciled information is a concern because they are against the idea of providing information that is not exact and believe that it goes against their internal standards.</p> <p>It is also mentioned that the corrections for these unreconciled elements should not be submitted by electronic mail. Rather, it is suggested that a new corrected positions report may be submitted to replace the previous report or that some mechanism be put in place to allow the submission of corrections or changes after the deadline.</p>	<p>The Bourse recognizes that it may happen that reports containing unreconciled elements be occasionally submitted, but it expects that such situations will generally be infrequent. Therefore, the Bourse would prefer to receive a positions report even though some elements remain to reconcile, rather than receiving nothing.</p> <p>In general the Bourse expects that such unreconciled elements be quickly reconciled. If the unreconciled elements are identified and corrected before the deadline of 8:00 am, it is possible to submit a corrected report that will replace the previous erroneous report. After this deadline, if the unreconciled elements are not important, approved participants wait to the following business day and include the corrected information in the new positions report positions.</p> <p>On the other hand, if the unreconciled elements are large and/or numerous, approved participants can communicate the corrections to the Bourse by e-mail or by using the portal of the Regulatory Division that was set up for supervision reports ("gatekeeper") on</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		<p>the website of the Division (http://reg.m-x.ca/en/gatekeeper/login). This portal is described in circular 131-2011 issued by the Bourse on August 10, 2011 (http://m-x.ca/f_circulaires_en/131-11_en.pdf).</p> <p>La Bourse est d'avis qu'avec l'outil LOPR il sera possible de réduire de façon significative de telles omissions ou inexactitudes et qu'il ne restera en bout de ligne que quelques éléments non conciliés représentant une marge d'erreur acceptable pour la Bourse. L'automatisation complète du processus de préparation et de soumission des rapports de positions devrait ultimement se traduire par des rapports contenant une information davantage complète et exacte que ce que permettait la méthode des fichiers Excel utilisée antérieurement.</p> <p>The Bourse believes that with the LOPR tool it will be possible to significantly reduce such inaccuracies or omissions and that ultimately only a limited number of unreconciled elements representing an acceptable margin of error for the Bourse will remain. The full automation of the process of preparing and submitting reports positions should ultimately result in reports containing information that is more complete and accurate than the prior Excel method.</p>
<p>Investment Industry Association of Canada</p> <p>Scotia Capital Inc.</p> <p>National Bank Financial</p>	<p>The U.S. practice of aggregation at the control level rather than at the actual ownership level should be considered.</p>	<p>During the development of the LOPR tool, the Bourse took into consideration the U.S. practice which provides for the aggregation of accounts based on control rather than beneficial ownership. This practice also sets the threshold at which there is a presumption of actual control or ownership at 10%.</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
<p align="center">Inc. TD Waterhouse Canada Inc.</p>		<p>The Bourse came to the conclusion that the application of the U.S. practice would be significantly complex and therefore proposed a beneficial ownership concept that is much easier to apply because it simply requires determining whether a positions holder has a beneficial ownership interest in an account that is greater than 50%.</p> <p>The concept of control found in U.S. regulations goes much further, since under these regulations, it includes not only the beneficial ownership concept but also requires to take into account cases where a person or entity exercises control over an account regardless of whether or not it holds an interest as beneficial owner in this account. Our observations indicate that the practice of using the concept of control instead of the beneficial ownership gives rise to many application and interpretation difficulties. In addition, this practice frequently requires U.S. brokers to apply for exemption from each exchange on which they trade. This process of exemptions can be particularly heavy.</p>
<p align="center">National Bank Financial Inc.</p>	<p>The LOPR tool LOPR will increase the time required for the generation of reports.</p>	<p>The Bourse does not agree with this statement. The tool it proposes represents a significant improvement compared to Excel format that was used until now and, on the contrary, should allow substantial time saving especially for approved participants who have many accounts to report to the Bourse.</p> <p>Moreover, although in its simplest form the LOPR tool requires some manual work, it was designed to enable the complete automation of the positions reporting process. Over time, approved participants should</p>

**Reports related to the accumulation of positions in derivative instruments
Proposed amendments to articles 6654 (Reports related to position limits) and 14102 (Reports pertaining to the accumulation of positions for
derivative instruments) of the Rules of Bourse de Montréal Inc. (the Bourse)**

Summary of comments received and responses from the Bourse

Comments Author	Comments	Response from the Bourse
		<p>therefore arrange to automate this process to eliminate any manual intervention. Some approved participants have already begun and, in some cases, completed the work necessary to arrive at such automation.</p>
<p>National Bank Financial Inc.</p>	<p>The LOPR tool does not facilitate the reporting of multiple positions in a single session.</p>	<p>The LOPR tool allows the declaration of multiple positions per approved participant in a single session.</p> <p>Reporting of positions using the LOPR tool is per business units ("firm units"), each unit being exclusively associated with an approved participant and having its own login credentials. All accounts that are part of a business unit are submitted in a single session.</p> <p>One approved participant may use as many business units as desired (e.g.: a business unit for futures contracts and another one for options). An approved participant can also have, if desired, business units that allow to separate institutional accounts from retail accounts or to separate accounts according to geographical criteria.</p> <p>In addition, if the approved participant acts as the delegatee of another approved participant to submit positions reports on behalf of that other approved participant, each approved participant on whose behalf positions are reported must be treated as a separate business unit and therefore be subjected to a separate report submission. Such a distinction is necessary to ensure there is no confusion between the positions of the accounts of the approved participant acting as delegatee and those of approved participants on whose behalf it submits a positions report.</p>

**Reports related to the accumulation of positions in derivative instruments
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Summary of comments received and responses from the Bourse

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National Bank Financial Inc.	The monthly license fee of \$ 200.00 license was not disclosed initially. Such charges for the use of the LOPR user interface LOPR are unjust and contrary to the practices of other SROs especially as the Bourse already collects a fee of \$ 0.03 per contract to conduct the surveillance of its market. .	<p>At the launching of the positions reporting tool project, two alternatives were offered to approved participants, using the LOPR interface developed by the Bourse or using the SAIL protocol already in place for trading.</p> <p>The monthly license fees only apply to the first of these two alternatives. Approved participants who have chosen to use the SAIL protocol will not charged for these license fees. For those who chose instead to use the LOPR interface, two alternatives are available to them to avoid having to pay license fees. They can either eventually arrange to move to the SAIL protocol of the Bourse or develop their own automated interface.</p> <p>It is also important to mention that the license fee is a fee charged by the Bourse and not a regulatory fee charged by the Regulatory Division. There is no connection between the license fee and the \$ 0.03 per contract fee for market surveillance to which the comment refers. The purpose of the license fee is to support the costs that will be incurred by the Information Technology Department of the Bourse to provide all the support necessary for the maintenance and periodic updating of the interface.</p>
National Bank Financial Inc.	The Bourse has not yet produced any license agreement governing the use of the LOPR software and tool. .	The license agreement for the LOPR software and tool was distributed by the Bourse in December 2011
National Bank Financial Inc.	Procedures for passwords are inadequate because they do not allow approved participants to get confirmations required in order to	The Bourse disagrees with this comment and believes that its procedures to assign or validate passwords are

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	<p>ensure that passwords are released safely.</p> <p>For example, providing the Bourse with information such as the mother's maiden name or the date and place of birth should not be required to obtain login credentials for the LOPR user interface.</p>	<p>adequate and consistent with industry standards.</p> <p>The Bourse has amended its request form for an identification number so that it is no longer required to provide the mother's maiden name or the date and place of birth. Users can therefore submit their own password or identification question to identify themselves.</p>
National Bank Financial Inc.	A mechanism for password expiration is an industry standard and a necessary function.	<p>The Bourse disagrees with the assertion that a mechanism expiry password is a standard in the industry. We note also that most banks and securities dealers as well as many service providers that allow their customers to access their accounts through the Internet or an ATM do not have such a mechanism.</p> <p>On the other hand, a mechanism that is often found is to ensure that after three unsuccessful attempts to enter a password or personal identification number, account access is completely blocked and customer must contact his financial institution, his broker or his service provider to obtain a new password.</p> <p>Therefore, instead of putting in place a mechanism for password expiration as suggested, the Bourse has chosen instead to develop and implement a mechanism to ensure that after three unsuccessful attempts to access the system, the connection will be blocked and the user shall contact the Technical Help Desk of the Bourse and to identify himself with the agreed identifier to get a new access code. The Bourse believes that this solution, which was put in place on June 25, 2012, will be much more efficient and less</p>

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		complex to manage.
National Bank Financial Inc.	In cases where an approved participant delegates its positions reporting functions to another approved participant or authorized service provider, the Bourse should not require the submission of a user application form from the approved participant who makes such a delegation since the user of the interface will be the third party that has accepted the positions reporting delegation.	The Bourse disagrees with this comment. Approved participants who delegate their positions reporting obligations to a third party are required to give their approval before such third party can obtain the login credentials on their behalf. Furthermore, the submission of a user application form by the approved participant who makes such a delegation allows all parties involved to maintain proper documentation of the delegation.
National Bank Financial Inc. TD Waterhouse Inc.	Disagrees with the requirement to identify by default as a speculator any customer that is not clearly identified (hedger vs. speculator). Believes that this requirement will result in position reports containing inaccuracies and that customers could be mistakenly identified as speculators when they are not. It is proposed to eliminate this identifier or to add a "Not Applicable" identifier.	The Bourse understands that an account owner can make speculative transactions as well as hedging and/or risk management transactions. Regulations in place for futures contracts accounts requires that transactions for speculative purposes be recorded in accounts that are separate from those that are made for hedging purposes. This distinction is especially important for all futures contracts traded on the Bourse since margin requirements applicable to speculative positions are higher than those applicable to the positions taken for hedging purposes. Therefore, the identification of an account as a speculator account or a hedger account should not cause any difficulty since upon its opening an account must be clearly identified as to the type of operation that will be made. En ce qui concerne les contrats d'options, il n'existe pas d'obligation d'avoir des comptes distincts pour les opérations de nature spéculative et celles effectuées à des fins de couverture. Il n'y a également pas de différence dans les marges applicables à chaque type d'opérations. Par contre, en vertu de l'obligation

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		<p>qu'ont les courtiers de connaître leurs clients, il devrait être possible dans la plupart des cas de déterminer si un client a l'intention de négocier des options à des fins de spéculation ou à des fins de couverture.</p> <p>The Bourse recognizes however that for options such a determination can sometimes be difficult and in these cases it considers it more appropriate to use the "speculator" identifier and this mainly due to the fact that position limits for speculators are generally lower than those permitted for hedgers. The "speculator" identifier is more conservative and allows the Bourse to establish more appropriate internal controls when verifying positions reports.</p> <p>It is also important to mention that for the vast majority of cases, the identification by default of an account as being a speculator account will have no impact because the distinction between this type of account and a hedging account becomes important only when the positions held are approaching the prescribed positions limit or reach this limit.</p>
National Bank Financial Inc.	The space available in the fields for the name of the account holder ("Account Owner Name") (25 characters) and its identifier ("Owner ID") (24 characters) is insufficient to properly identify the name of account holder and its identifier. It is suggested that a minimum of 60 characters should be provided for these fields.	The Bourse has conducted a review of the length of the names of account holders for whom positions reports were submitted using the Excel method (A Report and B Report) and was able to determine that the number of characters permitted for the concerned fields is optimal for an efficient processing of the LOPR information. The Bourse has provided guidance on the methodology to be used if the space available for these fields is insufficient (see circular no. 074-2011 at http://m-x.ca/f_circulaires_en/074-11_en.pdf).

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National Bank Financial Inc.	The Bourse uses two character country codes. It should rather use the three-character codes of ISO 3166-1 alpha-3 which are those used by the securities industry	The two characters country codes are also widely recognized and are also the subject of an international standard, ISO 3166-1 alpha-2. In order to maximize the efficiency of treatment, the Bourse has decided to set up a library of two characters country codes when it designed its trading system. As this library is already installed, the Bourse has chosen to continue to use this single library instead of creating a second for three characters country codes. In addition, technical opinions obtained on this issue indicate that it is relatively easy for approved participants to create a correlation table in their systems to convert the three-character codes to two-character codes.
National Bank Financial Inc.	<p>The LOPR initiative in its current format is not for the benefit of the public interest. To the contrary, the daily and continuous transmission of personal information about customers without the implementation of appropriate control measures and guidelines could be detrimental to the public interest.</p> <p>Does not agree with the daily or regular transmission of personal information regarding its customers</p>	<p>Information relating to the identity of a customer will be forwarded to the Bourse only once, when the account of the client is reported for the first time. A unique identifier will then be created and for all subsequent transmissions it is this unique identifier that is sent to the Bourse along with the positions relating thereto. It is therefore not correct to say that there will be daily and continuous transmission of the customers' personal information.</p> <p>The identifier will be known only to the approved participant and to the Bourse and it will be practically impossible for an outsider to be able to identify who owns the positions that are transmitted to the Bourse and what is the individual's personal information.</p> <p>In addition, to further protect the information that is transmitted to the Bourse, it is strongly recommended that approved participants arrange to have the</p>

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TD Waterhouse Inc.	Approved participants may have clients who are not U.S. or Canadian residents and who may not have provided their social insurance number or equivalent. In these cases, further clarification would be appreciated.	<p>transmission of information related to positions reports encrypted.</p> <p>As previously mentioned, the requirement to obtain the last four digits of the social insurance was dropped and this also applies in the case of accounts of clients who are not Canadian residents.</p> <p>Approved participants will therefore have to use, as for accounts belonging to Canadian residents, an internal identifier they will create according to their own needs.</p>
TD Waterhouse Inc.	The Bourse should develop and publish guidelines for the creation, use and maintenance of a unique identifier, other than the social insurance number (or its equivalent), that can be used uniformly by the approved participants.	<p>Approved participants use a variety of systems and have in place processes and procedures to meet their own needs. Given this variety, the Bourse believes that it should not prescribe a specific format for internal identifier and it is each approved participant responsibility to create, use and maintain an identifier type that meets its needs and reflects the characteristics, limitations and other constraints of the systems it uses.</p> <p>The only thing that the Bourse requires is that the identifier be unique and that it be permanent</p> <p>One could also draw a parallel with the account numbers. The Bourse, nor any other regulator, has never given guidance on how account numbers must be established and allocated. Each approved participant uses a system of account numbers that suits them and meets their needs while taking into account the limitations and constraints of the systems.</p> <p>If additional guidance is needed, the Bourse agrees to</p>

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TD Waterhouse Inc.	IT developments required are complex and there are still many issues to be resolved.	publish it in a timely manner. The Bourse believes that it has sought and will continue to satisfy all the concerns raised by the approved participants. The LOPR tool developed by the Bourse is a significant improvement compared to the old method of reporting positions (Excel files e-mailed in an unsecured fashion) and its implementation will allow the Bourse to manage the risks related to the holding of positions in derivative instruments that are traded on the Bourse much more efficiently.