



**CIRCULAR**  
May 29, 2003

## **REQUEST FOR COMMENTS**

### **AMENDMENT TO ARTICLE 1 OF THE RULES REGARDING THE SPECIAL COMMITTEE – REGULATORY DIVISION**

#### **Summary**

The Board of Directors of Bourse de Montréal Inc. (the “Bourse”) approved an amendment to article 1 of the Rules regarding the Special Committee – Regulatory Division relative to the definition of Independent Member of the Special Committee. The new definition that is proposed reflects the requirements of the Commission des valeurs mobilières du Québec (the “Commission”) and the recent developments regarding governance principles in the securities industry.

#### **Process for Changes to the Rules**

The Bourse is recognized as a self-regulatory organization (“SRO”) by the Commission. In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its capacity as an exchange, the Bourse takes on responsibilities as a market regulator.

The Board of Directors of the Bourse has the power to approve the adoption or amendment of various Rules and Policies of the Bourse. These changes are submitted to the Commission for approval.

Circulaire no : 074-2003

**Tour de la Bourse**  
C. P. 61, 800, square Victoria, Montréal (Québec) H4Z 1A9  
Téléphone : (514) 871-2424  
Sans frais au Canada et aux États-Unis : 1 800 361-5353  
Site Internet : [www.m-x.ca](http://www.m-x.ca)

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

Comments on the proposed amendments to article 1 must be submitted within 30 days following the date of publication of this notice in the bulletin of the Commission. Please submit your comments to:

*Ms. Joëlle Saint-Arnault  
Vice-President, Legal Affairs  
and Secretary  
Bourse de Montréal Inc.  
Tour de la Bourse  
P.O. Box 61, 800 Victoria Square  
Montréal (Quebec) H4Z 1A9  
E-mail : [legal@m-x.ca](mailto:legal@m-x.ca)*

A copy of these comments shall also be forwarded to the Commission to :

*Ms. Denise Brosseau  
Secretary  
Commission des valeurs mobilières du Québec  
800 Victoria Square, 22<sup>nd</sup> Floor  
P.O. Box 246, Tour de la Bourse  
Montréal (Quebec) H4Z 1G3  
E-mail : [consultation-en-cours@cvmq.com](mailto:consultation-en-cours@cvmq.com)*

## **Appendices**

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined following approval by the Commission des valeurs mobilières du Québec.

**BOURSE DE MONTRÉAL INC.**

**AMENDMENT TO ARTICLE 1 OF THE RULES CONCERNING THE SPECIAL COMMITTEE – REGULATORY DIVISION**

**PAGE 1**

---

**INTRODUCTION**

The Special Committee – Regulatory Division was created by the Board of Directors of Bourse de Montréal Inc. (the “Bourse”) in October 2000. The powers of the Special Committee include the overall supervision and control of the activities of the Regulatory Division, subject to the final authority of the Board of Directors and the Commission des valeurs mobilières du Québec (the “Commission”).

The Special Committee – Regulatory Division consists of seven persons, at least four of whom are Independent Members.

**PRESENT SITUATION**

At this time, the definition of Independent Member which is stipulated in article 1 of the Rules regarding the Special Committee – Regulatory Division means “a member of the Special Committee who is not an Approved Participant, a person related to an Approved Participant, or a person having any current connection with the Bourse except as a member of the Board”. The Board that is referred to is the Board of Directors of the Bourse.

The Bourse hereby proposes to amend the definition of Independent Member in article 1 of the Rules regarding the Special Committee – Regulatory Division.

**THE ISSUE**

On December 17, 2002, the Commission revised the Recognition Order of the Bourse. As a result of this revision, the requirements regarding the corporate structure of the Bourse were modified. The Bourse was required to change the criteria for the composition of the Board of Directors to adopt a different definition of a member not related to the said Board. This change was to apply to the committees of the Board as well as to the Special Committee – Regulatory Division. The Bourse was asked to exclude employees and management representatives from the definition of unrelated persons. According to existing definitions, an employee or a management representative could be considered unrelated to the Bourse in the absence of another relationship.

**SOLUTION ADOPTED BY THE BOURSE**

In response to the Commission, the Board of Directors of the Bourse adopted a definition of Independent Director that it considers to be in accordance with the Commission requirements. The new definition reads as follows:

“Independent Director means a physical person who is a member of the Board of Directors of Bourse de Montréal Inc. and who is not related in any manner whatsoever to an Approved Participant, a Restricted Trading Permit Holder, an officer, an employee or a shareholder, who owns, directly or indirectly, ten per cent (10%) or more of the shares of a category of voting shares of Bourse de Montréal Inc.”

At the annual meeting of shareholders of the Bourse, on April 28, 2003, the shareholders of the Bourse ratified the proposal of the Board of Directors to include this new definition in the By-laws of the Bourse. The By-laws of the Bourse will be changed accordingly upon approval of the amendment by the Commission.

The Board of Directors of the Bourse also approved an amendment to article 1 of the Rules regarding the Special Committee – Regulatory Division which changes the definition of Independent Member of the Special Committee. This modification is included with this document. The objective is to eliminate the possibility for a member of the Board of Directors of the Bourse to be considered an Independent Member of the Special Committee – Regulatory Division.

## **CONCLUSION**

The proposed amendment to the definition of Independent Member of the Special Committee is in accordance with the requirements of the Commission regarding the corporate structure of the Bourse included in Part II of the Recognition Order no. 2002-C-0470 dated December 17, 2002.

## APPENDIX B

### **RULES REGARDING THE SPECIAL COMMITTEE - REGULATORY DIVISION (2000.11.24)**

#### **1. Definitions**

In these Rules :

“Approved Participant” shall mean any person to whom the Bourse has issued a trading permit;

“Board” shall mean the Board of Directors of the Bourse;

“Bourse” shall mean Bourse de Montréal Inc.;

“Commission” shall mean the *Commission des valeurs mobilières du Québec*;

“Independent Member” shall mean a member of the Special Committee who is not an Approved Participant, a person related to an Approved Participant, or a person having any current connection with the Bourse ~~except as a member of the Board~~;

“Special Committee” shall mean the Special Committee – Regulatory Division appointed hereunder by the Board;

“Regulation” shall mean the By-laws, Rules and Policies of the Montreal Exchange which were re-adopted by the Board by its resolutions dated October 1, 2000, as Rules and Policies of the Bourse;

“Regulatory Division” shall mean the Regulatory Division of the Bourse established by the Board;

“Restricted Trading Permit Holder” shall mean the holder of a permit to trade specific listed products issued to a non-Approved Participant pursuant to articles 3951 and following of By-law Three of the Montreal Exchange which were re-adopted, by resolutions of the Board dated October 1, 2000, as forming part of the Rules and Policies of the Bourse.