

# FAQ

## Regulatory Division of Bourse de Montréal Inc.

**Subject:** Order Identification

**Rule Article:** 6.115

**Last Update:** November 7, 2022

Effective December 30, 2022, answers to the frequently asked questions (the “FAQ”) supersede [Circular 048-18](#). In the event of discrepancies between the Rules of Bourse de Montréal Inc. (the “Rules”) and the FAQ, the Rules shall prevail. The FAQ is intended to illustrate the applicability of selected regulatory requirements and is not exhaustive of all regulatory requirements. Questions regarding the FAQ may be directed to the Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) at:

- [info.mxr@tmx.com](mailto:info.mxr@tmx.com)
- 514-787-6530
- Toll-free from Canada and US at 1-800-361-5353 extension 46530
- Toll-free from the UK and France at 00 800 36 15 35 35 extension 46530

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### Q1: What is order identification?

A1: In accordance with Article [6.115](#) of the Rules, each Approved Participant and Foreign Approved Participant (collectively, the “Participants”) must ensure the proper identification of orders when they are entered into the trading system in order to ensure, among other things, compliance with the provisions of Article [6.114](#) regarding order priorities. The four possible identifiers are:

1. “Order for the account of a customer” (“Client”)
2. “Order for the account of a professional” (“Pro”)
3. “Order for the account of the firm” (“Firm”)
4. “Order for an insider or significant shareholder” (“Insider”)

Each Participant is responsible for appropriately identifying the orders sent through its systems.

**Q2: I am a Participant and have incorrectly identified an order. What should I do?** (added on November 7, 2022)

A2: If a Participant has incorrectly identified an order that has not yet been filled, the Participant should cancel or modify the order to the extent permitted pursuant to Article [6.111](#) on a best-efforts basis.

If a Participant has incorrectly identified an order that has been filled, the Participant should submit an order marker correction form. Paragraph [3.105\(c\)](#) requires a Participant to notify the Division within ten business days of concluding of a possible violation of Article [6.114](#) and paragraph [6.116\(b\)](#) respecting management of priorities. The order marker correction form must be submitted on the [Participant Portal](#) in the prescribed comma-separated values file format.

**Q3: What are the consequences for a Participant that does not identify its orders appropriately?**

A3: Incorrectly identified orders may constitute an infraction under the Rules and therefore lead to disciplinary action. However, the Division takes all circumstances into account before opening an investigation, if appropriate, or initiating disciplinary procedures.

**Q4: Is order identification covered by the Division’s examination program?**

A4: Yes. The Division verifies how orders are identified when it examines the derivative instruments trading desks of Participants. Should inappropriately identified orders be observed during the scope of an examination, they will be reported by the examiners in the examination report. The Division encourages Participants to implement practices and procedures that will ensure compliance with Article [6.115](#) of the Rules. If a potential violation of Article [6.115](#) is found, the Division’s Examinations service may escalate the file for further analysis.

**Q5: What type of order must be identified as an order for the account of a professional (“Pro”) within the meaning of Article [6.115](#) of the Rules?**

A5: An order received for an account in which a director, officer, partner, employee or agent of a Participant or of a Related Firm<sup>1</sup> of the Participant or a person approved by the Bourse has a direct or indirect interest, other than an interest in a commission charged, must be identified as an order for the account of a professional (“Pro”).

**Q6: A Participant receives an order from another Participant for its own account. How should this order be identified?**

A6: When a Participant receives an order from another Participant of the Bourse for its own account, this order must be identified as “Firm”. Subparagraph [6.115\(a\)\(iii\)](#) of the Rules states: “*Order for the account of the firm’ means an order for [...] a Derivative Instrument for an account in which the Approved Participant [...] has a direct or indirect interest, other than an interest in a commission charged.*” So a Participant that executes the order of another Participant must ask the latter whether the order is placed for its own account or for the account of one of its clients.

For example, let us say that the institutional client trading desk at ABC Inc., a Participant, has received an order from a trader working at XYZ Inc., another Participant. The employee of ABC

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<sup>1</sup> Related Firm means a sole proprietorship, Partnership or corporation which is related with a Participant in that either of them, together with the partners and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through Holding Companies; which carries on as a substantial part of its business that of a broker, dealer or adviser in Securities or Futures Contracts; which deals with or has obligations to any Person other than such Participant or for obligations to any Person incurred through such Participant; and which is under the audit jurisdiction of a self-regulatory organization which is a participant to the Canadian Investor Protection Fund.

Inc. must ask the employee of XYZ Inc. for which account the order is for. If the order was placed for the account of XYZ Inc., under the definition in subparagraph [6.115\(a\)\(iii\)](#), the employee of ABC Inc. must identify this as a “Firm” order.

**Q7: A Participant receives an order from another Participant for the account of one of its clients. How should this order be identified?**

A7: A Participant that receives an order from another Participant for the account of one of its clients must identify this as a “Client” order. So a Participant that executes an order for another Participant must ask whether the order is being placed for its own account or for the account of one of its clients.

For example, let us say that the institutional client trading desk at ABC Inc., a Participant, has received an order from a trader working at XYZ Inc., another Participant. The employee of ABC Inc. must ask the employee of XYZ Inc. for which account the order is for. If the order was placed for the account of a client of XYZ Inc., under the definition in subparagraph [6.115\(a\)\(i\)](#), the employee of ABC Inc. must identify this as a “Client” order.

**Q8: How should an order for the account of a Related Firm be identified?**

A8: When a Participant receives an order for an account owned by a Related Firm, the order must be identified as a “Firm” order. The Participant is responsible for ensuring that the orders sent by its systems are appropriately identified, even when the Related Firm can send its orders directly, without the Participant intervening.

Note that based on the definition of Related Firm, the U.S. affiliate of a Canadian Participant is not considered a Related Firm. In such cases, the U.S. affiliate of a Canadian Participant that places an order for its own account must not identify this order as a “Firm” order, but rather as a “Client” order (assuming that the U.S. affiliate is not itself a Participant of the Bourse).

**Q9: How should an order for the account of a client of a Related Firm of a Participant be identified?**

A9: When a Participant receives an order from a Related Firm for the account of a client of the Related Firm, the order must be identified as a “Client” order. For example, when a Participant that is a Canadian corporate entity receives an order for the account of a client of a Related Firm, it must identify this order as a “Client” order (assuming that the client is not itself a Participant of the Bourse).

**Q10: Does the method used to enter an order affect its identification?**

A10: No. Whether the order is communicated to a Participant by telephone or entered directly in the Participant’s trading system, the order must be identified in accordance with the Rules when it is entered.