



CIRCULAR 144-23

December 7, 2023

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF THE BOURSE REGARDING CLIENT AND ORDER IDENTIFIERS

On March 13, 2023, the Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) and on March 7, 2023, the Special Committee of the Regulatory Division of the Bourse (the “**Division**”) approved amendments to articles 1.101, 3.5, 6.115, and 6.500 of the rules of the Bourse (the “**Rules**”) regarding client and order identifiers. These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

These amendments attached herewith will become effective on June 28, 2024, after market close. The Division expects compliance with these amendments by no later than October 1st, 2024. Please note that the revised articles will also be available on the Bourse’s website (www.m-x.ca).

The amendments described in the present circular were published for public comment by the Bourse on March 27, 2023 (see Circular [044-23](#)). Further to the publication of this circular, the Bourse received comments. A summary of the comments received as well as responses from the Division to these comments is attached hereto.

Two modifications were made to these amendments following the publication of March 27, 2023. First, the requirement for Approved Participants to notify the Bourse when a person ceases to be a sponsored access client, currently subparagraph 3.5(b)(viii) of the Rules, is not repealed as part of these Amendments and has been renumbered as subparagraph 3.5(b)(vii). Second, subparagraphs 6.115(h)(iv) and (vi) which are being added as part of these Amendments, have been modified to remove the limitation to reassign an identifier.

For additional information, please contact the legal affairs of the Division by email at mxrlegal@tmx.com.

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ANNEX 1—BLACKLINED VERSION

Article 1.101 Definitions

The meanings of terms, and the corresponding term in French, are as follows:

[...]

Legal Entity Identifier (Identifiant d'Entité Légale) means a unique identification code assigned to a Person in accordance with standards set by the Global Legal Entity Identifier System which is the system for unique identification of parties to financial transactions developed by the Legal Entity Identifier System Regulatory Oversight Committee, an international working group established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012.

[...]

Article 3.5 Sponsored Access

[...]

(b) Sponsored Access Permitted. Approved Participants may authorize clients to transmit orders electronically to the Bourse through the systems of the Approved Participant, using the Approved Participant's identifier, subject to, and in compliance with, the following conditions:

[...]

~~(vii) — Upon providing to a client an electronic access to the Bourse, pursuant to paragraph (b), an Approved Participant must ensure the client is assigned a client identifier in the form and manner required by the Bourse and must ensure that an order entered by a client using electronic access includes the appropriate client identifier.~~

~~(viiiviii)~~ An Approved Participant must promptly inform the Bourse if a Person ceases to be a client pursuant to paragraph (b).

~~(viiiix)~~ An Approved Participant must not provide an electronic access to the Bourse, pursuant to paragraph (b) to a client as defined in subparagraph (a)(i)(1) that is trading for the account of another

Person, unless:

(1) the client is registered or exempted from registration as an adviser under securities legislation; or a Person that:

- (A) carries on business in a foreign jurisdiction;
- (B) under the laws of the foreign jurisdiction, may Trade for the account of another Person, using such an electronic access; and
- (C) is regulated in the foreign jurisdiction by a signatory to the International Organization of securities Commissions' Multilateral Memorandum of Understanding; and

~~(ix*)~~ the client ensures that the orders of the other Person are initially transmitted through the systems of the client; and

~~(xxi)~~ the Approved Participant ensures that the orders of the other Person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client.

[...]

Article 6.115 Order Identification

(a) Approved Participants must ensure the proper identification of orders when entered into the Trading System in order to ensure compliance with the provisions of Article 6.114 regarding management of priorities.

(i) “Order for the account of a customer” means an order for a Security or a Derivative Instrument entered for the account of a customer of any Approved Participant or of a customer of a Related Firm of an Approved Participant, but does not include an order entered for an account in which an Approved Participant, a Related Firm of an Approved Participant or an Approved Person has a direct or indirect interest, other than an interest in a commission charged;

(ii) “Order for the account of a professional” means an order for a Security or a Derivative Instrument for an account in which a director, Officer, partner, employee or agent of an Approved

Participant or of a Related Firm of the Approved Participant or an Approved Person has a direct or indirect interest, other than an interest in a commission charged. The Bourse may designate any order as being an order for the account of a professional if, in its opinion, circumstances justify it;

(iii) “Order for the account of the firm” means an order for a Security or a Derivative Instrument for an account in which the Approved Participant or a Related Firm of the Approved Participant has a direct or indirect interest, other than an interest in a commission charged;

(iv) “Order for an insider or significant shareholder” means an order for a Security or a Derivative Instrument for the account of a client, a professional or a firm who is an insider and/or significant shareholder of the issuer of the underlying Security which is the subject of the order. If such client, professional or firm is both an insider and a significant shareholder, the significant shareholder designation must be used.

(b) Approved Participants must ensure that the “prearranged transaction marker” is included for each order entered into the Trading System under Article 6.202 or Article 6.205. This requirement does not apply to paragraph (c), sub-paragraph (d)(i) or paragraph (e) of Article 6.205.

(c) Approved Participants must ensure that the “algorithmic trading marker” is included for each order entered into the Trading System through algorithmic trading.

(d) For each order entered into the Trading System that is not an “Order for the account of the firm”, as defined in-sub paragraph (a)(iii),

(i) Approved Participants must ensure that the order contains, in the prescribed “short code” field, the client identifier of the direct client for or on behalf of whom the order is entered;

(ii) and that is transmitted to the Bourse under the provisions of Article 3.5, Approved Participants must ensure that the “sponsored access marker” is included;

(iii) and that is transmitted to the Bourse through the systems of an Approved Participant on behalf of another Approved Participant for its own account, requirement of sub-paragraph (i) is not

applicable; or

(iv) and that is transmitted to the Bourse through the systems of an Approved Participant on behalf of a client of a direct client of the Approved Participant and through algorithmic trading from a system not provided by the Approved Participant or its direct client, the Approved Participant must ensure that the order contains, in the “Unique ID” field, the unique ID assigned to the client of the direct client of the Approved Participant.

(e) Notwithstanding sub-paragraph (d)(i), for each order entered into the Trading System that is transmitted to the Bourse on behalf of two or more direct clients that are not all “affiliated corporations and subsidiaries”, Approved Participants must ensure that the order contains, in the “short code” field, the numeric value of 4.

(f) Notwithstanding sub-paragraph (d)(i), for each order entered into the Trading System that is transmitted to the Bourse on behalf of two or more direct clients that are all “affiliated corporations and subsidiaries”, Approved Participants must ensure that the order contains, in the “short code” field, the client identifier of the direct client, among the multiple direct clients, that is the controlling Person or, if none of the direct clients is the controlling Person, the client identifier of the Person that is the controlling Person of all the direct clients.

(g) Notwithstanding sub-paragraph (d)(i), for each bundled order entered into the Trading System that is transmitted to the Bourse, Approved Participants must ensure that the order contains, in the “short code” field, the numeric value of 1.

(he) For the purposes of this Article :

(i) “insider” means a Person who is an insider, pursuant to applicable Securities legislation, of the issuer of the Security underlying the Security or the Derivative Instrument traded.;

(ii) “significant shareholder” means any Person holding separately, or jointly with other Persons, more than 20% of the outstanding Voting Securities of the issuer whose Security is underlying the Security or the Derivative Instrument traded.;

(iii) “Related Firm” has the meaning given to that term in the definitions in Article 1.101 of the Rules.

(iv) “client identifier” means an identifier assigned to a direct client or controlling Person as described in paragraph f) in the manner prescribed by the Regulatory Division.

Client identifying information which may include the direct client’s or controlling Person’s Legal Entity Identifier, ISO 3166 country code of the legal address, full legal name, and any other information as prescribed by the Regulatory Division must be reported to the Regulatory Division not later than 7:00 p.m. (ET) on the business day a first order is transmitted to the Bourse on behalf of this direct client or controlling Person. When a Legal Entity Identifier is available and required to be reported and there are legal barriers preventing the reporting of the available Legal Entity Identifier, the Approved Participant must provide to the Regulatory Division, upon request, evidence of reasonable effort to obtain the Legal Entity Identifier of the direct client or the controlling Person, which may include the Approved Participant’s policies and procedures regarding its process on client outreach and the correspondence between the Approved Participant and the direct client of the controlling Person, and an explanation of the legal barrier preventing the Approved Participant from providing the Legal Entity Identifier, which may be in the form of a legal opinion.

(v) “algorithmic trading” means trading in Listed Products where a computer algorithm in an automated order system automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any automated order system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters.

(vi) “unique ID” means an identifier assigned to a specific client of a direct client of an Approved Participant in the manner prescribed by the Regulatory Division.

(vii) “direct client” means the Person that has an account carried by an Approved Participant, regardless of whether this Person is the ultimate end-client for a specific order.

(viii) “bundled order” means a single order that includes at least an “Order for the account of the firm” as well as an order that is not an

“Order for the account of the firm”.

Article 6.500 Reports of Accumulated Positions

[...]

(g) For the purposes of this subparagraph (d)(iii), the term “~~L~~egal ~~E~~ntity ~~I~~entifier” has the meaning given to that term in the definitions in Article 1.101 of the Rules.~~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.~~

ANNEX 2—CLEAN VERSION

Article 1.101 Definitions

The meanings of terms, and the corresponding term in French, are as follows:

[...]

Legal Entity Identifier (Identifiant d'Entité Légale) means a unique identification code assigned to a Person in accordance with standards set by the Global Legal Entity Identifier System which is the system for unique identification of parties to financial transactions developed by the Legal Entity Identifier System Regulatory Oversight Committee, an international working group established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012.

[...]

Article 3.5 Sponsored Access

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(b) Sponsored Access Permitted. Approved Participants may authorize clients to transmit orders electronically to the Bourse through the systems of the Approved Participant, using the Approved Participant's identifier, subject to, and in compliance with, the following conditions:

[...]

(vii) An Approved Participant must promptly inform the Bourse if a Person ceases to be a client pursuant to paragraph (b).

(viii) An Approved Participant must not provide an electronic access to the Bourse, pursuant to paragraph (b) to a client as defined in subparagraph (a)(i)(1) that is trading for the account of another Person, unless:

(1) the client is registered or exempted from registration as an adviser under securities legislation; or a Person that:

(A) carries on business in a foreign jurisdiction;

(B) under the laws of the foreign jurisdiction, may Trade for the account of another Person, using such an electronic access; and

(C) is regulated in the foreign jurisdiction by a signatory to the International Organization of securities Commissions' Multilateral Memorandum of Understanding; and

(ix) the client ensures that the orders of the other Person are initially transmitted through the systems of the client; and

(x) the Approved Participant ensures that the orders of the other Person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client.

[...]

Article 6.115 Order Identification

(a) Approved Participants must ensure the proper identification of orders when entered into the Trading System in order to ensure compliance with the provisions of Article 6.114 regarding management of priorities.

(i) “Order for the account of a customer” means an order for a Security or a Derivative Instrument entered for the account of a customer of any Approved Participant or of a customer of a Related Firm of an Approved Participant, but does not include an order entered for an account in which an Approved Participant, a Related Firm of an Approved Participant or an Approved Person has a direct or indirect interest, other than an interest in a commission charged;

(ii) “Order for the account of a professional” means an order for a Security or a Derivative Instrument for an account in which a director, Officer, partner, employee or agent of an Approved Participant or of a Related Firm of the Approved Participant or an Approved Person has a direct or indirect interest, other than an interest in a commission charged. The Bourse may designate any order as being an order for the account of a professional if, in its opinion, circumstances justify it;

(iii) “Order for the account of the firm” means an order for a Security or a Derivative Instrument for an account in which the Approved Participant or a Related Firm of the Approved Participant has a direct or indirect interest, other than an interest in a commission charged;

(iv) “Order for an insider or significant shareholder” means an order for a Security or a Derivative Instrument for the account of a client, a professional or a

firm who is an insider and/or significant shareholder of the issuer of the underlying Security which is the subject of the order. If such client, professional or firm is both an insider and a significant shareholder, the significant shareholder designation must be used.

- (b) Approved Participants must ensure that the “prearranged transaction marker” is included for each order entered into the Trading System under Article 6.202 or Article 6.205. This requirement does not apply to paragraph (c), sub-paragraph (d)(i) or paragraph (e) of Article 6.205.
- (c) Approved Participants must ensure that the “algorithmic trading marker” is included for each order entered into the Trading System through algorithmic trading.
- (d) For each order entered into the Trading System that is not an “Order for the account of the firm”, as defined in-sub paragraph (a)(iii),
 - (i) Approved Participants must ensure that the order contains, in the prescribed “short code” field, the client identifier of the direct client for or on behalf of whom the order is entered;
 - (ii) and that is transmitted to the Bourse under the provisions of Article 3.5, Approved Participants must ensure that the “sponsored access marker” is included;
 - (iii) and that is transmitted to the Bourse through the systems of an Approved Participant on behalf of another Approved Participant for its own account, requirement of sub-paragraph (i) is not applicable; or
 - (iv) and that is transmitted to the Bourse through the systems of an Approved Participant on behalf of a client of a direct client of the Approved Participant and through algorithmic trading from a system not provided by the Approved Participant or its direct client, the Approved Participant must ensure that the order contains, in the “Unique ID” field, the unique ID assigned to the client of the direct client of the Approved Participant.
- (e) Notwithstanding sub-paragraph (d)(i), for each order entered into the Trading System that is transmitted to the Bourse on behalf of two or more direct clients that are not all “affiliated corporations and subsidiaries”, Approved Participants must ensure that the order contains, in the “short code” field, the numeric value of 4.
- (f) Notwithstanding sub-paragraph (d)(i), for each order entered into the Trading System that is transmitted to the Bourse on behalf of two or more direct clients that are all “affiliated corporations and subsidiaries”, Approved Participants must ensure that the order contains, in the “short code” field, the client identifier of the direct client, among the multiple direct clients, that is the controlling Person or, if none of the direct clients is the controlling Person, the client identifier of the Person that is the controlling Person of

all the direct clients.

(g) Notwithstanding sub-paragraph (d)(i), for each bundled order entered into the Trading System that is transmitted to the Bourse, Approved Participants must ensure that the order contains, in the “short code” field, the numeric value of 1.

(h) For the purposes of this Article :

- (i) “insider” means a Person who is an insider, pursuant to applicable Securities legislation, of the issuer of the Security underlying the Security or the Derivative Instrument traded.
- (ii) “significant shareholder” means any Person holding separately, or jointly with other Persons, more than 20% of the outstanding Voting Securities of the issuer whose Security is underlying the Security or the Derivative Instrument traded
- (iii) “Related Firm” has the meaning given to that term in the definitions in Article 1.101 of the Rules.
- (iv) “client identifier” means an identifier assigned to a direct client or controlling Person as described in paragraph f) in the manner prescribed by the Regulatory Division.

Client identifying information which may include the direct client’s or controlling Person’s Legal Entity Identifier, ISO 3166 country code of the legal address, full legal name, and any other information as prescribed by the Regulatory Division must be reported to the Regulatory Division not later than 7:00 p.m. (ET) on the business day a first order is transmitted to the Bourse on behalf of this direct client or controlling Person. When a Legal Entity Identifier is available and required to be reported and there are legal barriers preventing the reporting of the available Legal Entity Identifier, the Approved Participant must provide to the Regulatory Division, upon request, evidence of reasonable effort to obtain the Legal Entity Identifier of the direct client or the controlling Person, which may include the Approved Participant’s policies and procedures regarding its process on client outreach and the correspondence between the Approved Participant and the direct client of the controlling Person, and an explanation of the legal barrier preventing the Approved Participant from providing the Legal Entity Identifier, which may be in the form of a legal opinion.

- (v) “algorithmic trading” means trading in Listed Products where a computer algorithm in an automated order system automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any automated order system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters.

- (vi) “unique ID” means an identifier assigned to a specific client of a direct client of an Approved Participant in the manner prescribed by the Regulatory Division.
- (vii) “direct client” means the Person that has an account carried by an Approved Participant, regardless of whether this Person is the ultimate end-client for a specific order.
- (viii) “bundled order” means a single order that includes at least an “Order for the account of the firm” as well as an order that is not an “Order for the account of the firm”.

Article 6.500 Reports of Accumulated Positions

[...]

- (g) For the purposes of this subparagraph (d)(iii), the term “Legal Entity Identifier” has the meaning given to that term in the definitions in Article 1.101 of the Rules.

ANNEX 3—SUMMARY OF COMMENTS AND RESPONSES TO THE COMMENTS

No.	Category of Participant	Summary of comments	Summary of responses
1.	IIAC; Approved Participant	<p>The commenters agree with the objective of the proposal which is intended to align the requirements with other regulators, more effectively manage risks of electronic trading, enhance market integrity and investor protection, and ensure consistency of information across Canadian marketplaces</p>	<p>The Regulatory Division (the “Division”) acknowledges this comment.</p> <p>In order to achieve these objectives, the focus of the Proposal is to enhance the regulatory data available by increasing transparency and improving the Division’s market surveillance functions, which include overseeing both Canadian Approved Participants and Foreign Approved Participants.</p> <p>The Division has an open line of communication with the Canadian Investment Regulatory Organization (“CIRO”) (formerly IIROC; the New SRO) on this Proposal and continues to collaborate to ensure efficiency in the cooperation arrangements in place to protect market integrity.</p>
	Approved Participant	<p>Certain requirements of the proposed amendments introduce significant complexity, IT technical rigour, and would require additional regulatory clarity or definition, where the objective could otherwise be achieved through aligning with the New SRO (formerly IIROC) requirements for identifiers.</p> <p>We are supportive of the details provided in the comment letter submitted by the Investment Industry Association of Canada (“IIAC”) on the amendments.</p>	<p>The Division acknowledges these comments and recognizes that the Proposal will require system changes by Participants and the introduction of new processes. Given the significant and positive impact of the Proposal on the supervision and surveillance functions of the Division to ensure market integrity, the benefits of the Proposal outweigh the implementation challenges identified.</p> <p>Being conscious of the scope of the Proposal and the potentially significant impact on Participants, the Division has undertaken</p>

3.	IIAC	<p>We note that the proposed amendments introduce complexity and risk by mandating firms to develop a separate database to house and manage ‘Short Codes’ while at the same time maintaining client Legal Entity Identifiers (“LEIs”) and client account numbers. This added complexity to firms’ Order Management Systems (“OMSs”) requires IIAC members to introduce new systems and processes which creates additional risks. In addition, while we applaud the Division for enhancing its oversight over trading, the creation of Short Codes falls short of aligning with its objective to conduct cross asset surveillance with the New SRO which uses different identifiers.</p>	<p>an extensive analysis before drafting this Proposal. Due consideration was given to the concerns raised by stakeholders and the Division also took into account the demographics of the Bourse’s Participants, both Canadian Approved Participants and Foreign Approved Participants.</p> <p>The Division attentively followed the progress of CRO’s client identifier project by participating in the discussions as an observer. In 2021 the Division published a consultation paper and created a Working Group (Circular 122-21) to discuss the alternative models of client identifiers. The Division further engaged in bilateral discussions with stakeholders, including Participants and third party vendors (ISVs) and sought feedback from the User Group of the Regulatory Division.</p> <p>In its analysis and during the consultations, the Division focused on two potential solutions for introducing the proposed identifiers and the transmission of the related information between Participants and the Division: Encrypted LEI or Short Codes.</p> <p>The technical requirements of each model were analyzed (including the respective efficiencies and its own set of challenges). The security and confidentiality concerns under both models were reviewed. The impact of each model on Participants, their clients and the trading ecosystem was considered.</p> <p>Based on the information collected and feedback stemming from the consultations and analysis, the outcome was to favour the Short Code solution given the potentials it offers:</p>
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			<ul style="list-style-type: none"> i. It meets the Division's objective to enhance market surveillance and supervision, and allow implementation within the determined timeline; ii. It was noted that regardless of the solution chosen, the systems/gateways used on the securities trading side are completely different from the ones used for derivatives trading. Hence, regardless of the solution chosen, Participants and ISVs would have to undertake a complete evaluation to implement either solution; iii. In terms of implementation, the Short Code represents an equitable solution for both Canadian Approved Participants as well as Foreign Approved Participants. The analysis and discussion indicated that this solution could be less complex from a technical point of view for both the Division and Participants to implement. It was also noted that most Participants would have some experience to leverage in implementing this solution since a similar solution is being used at other global derivatives exchanges where these Participants or their affiliates trade. It was also noted that several ISVs have already implemented similar requirements for European markets for derivatives products, and therefore this solution could alleviate the burden from a developmental point of view as a lot of the previous development work could be used; iv. It was noted that the format of the Short Code solution could reduce latency concerns which potentially exist with other solutions; v. Being a solution accepted globally as meeting the strict confidentiality requirements in Europe, it was noted
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			<p>that the Short Code solution would provide Participants, the vendors and the clients with the level of comfort expected in terms of security and confidentiality of information.</p> <p>As indicated in the previous response, during the entire process, the Division maintained an open line of communication with other regulatory authorities, including CRO, and continues to collaborate to ensure efficiency in the cooperation arrangements in place to protect market integrity.</p>
4.		<p>Requirement to assign a client identifier to each direct client</p> <p>Members of IIAC have worked over the past decade to implement LEIs for reporting on OTC derivatives to the Canadian Securities Administrator (“CSA”), reporting of fixed income trades to the New SRO and imbedding LEIs (institutional) and client account numbers (retail) in pre-trade OMSs for equity trading.</p> <p>The introduction of yet another numbering system for client accounts not only creates complexity, requiring system enhancements and increasing operational risk but also opposes the objective of aligning with other regulators, reducing risks or ensuring consistency of information across Canadian marketplaces.</p>	<p>The Division acknowledges that the solution chosen, the Short Code solution, brings about different considerations and new processes to implement.</p> <p>Other than a new field for the Short Code and the format of the identifiers/tags, the Proposal does not require changes to information currently maintained by Participants and the information which will have to be reported are mostly similar to those prescribed under CRO’s requirements.</p> <p>Client information will only have to be reported to the Division where a direct client has an available LEI or the client is a Sponsored access client (article 3.5 of the Rules).</p> <p>The Division will continue to work with the other regulatory authorities, including CRO, to ensure an adequate mapping of information for their respective functions and collective data management.</p>
5.		<p>Requirement to assign a Unique Identifier to each client of the direct client that uses its own algorithm</p> <p>The proposal requests market participants to identify</p>	<p>The proposed requirement for assigning a Unique Identifier is similar to CRO’s requirement for securities. Therefore, except for the tagging format, this requirement is being consistently</p>

		<p>whether end clients of direct clients use non-firm algos. Market participants do not own the relationship with the end clients and the possession of this information may create regulatory obligations to treat the end clients of our direct clients as the Participant's own.</p>	<p>applied to trading on derivatives listed on the Bourse.</p> <p>Participants will not be required to report any client information related to the Unique Identifiers on a daily basis, therefore the requirement to report client information does not extend to clients of direct clients. Such client information will remain subject to requests for information from the Division, as is presently the case.</p>
6.		<p>In addition, algorithm is defined as a computer algorithm by an automated order system that automatically determines individual parameters of the order such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention. While we support the MXRD's objective to obtain increased transparency in this area of the market, it is not always easy for IIAC members to ascertain when an order is generated automatically by a system or human intervention at a client.</p> <p>Would an attestation from the client suffice? What is the frequency of obtaining this attestation be?</p> <p>What if the algo is for an omnibus client of a client: How is that treated?</p>	<p>The Division would expect a Unique Identifier to be assigned for all clients of a direct client who use an algorithm other than one provided by the Participant or the direct client.</p> <p>The Proposal is not prescriptive and thus provides Participants the flexibility to adapt their policies, depending on their operational model and client types, to ensure compliance with the requirement. Therefore the Division remains open to consider different methods adopted by Participants which will reasonably allow them to identify clients using algorithms as described under the Proposal.</p> <p>The Division intends to publish an FAQ or Guidelines to provide Participants further guidance on the Division's expectation with respect to certain requirements, provide clarifications where applicable and set out examples/scenarios to assist Participants in complying with the proposed requirements.</p>
7.		<p>We would also like further clarity on the definition of algorithm because we believe Stop Loss orders or Iceberg orders are also generated automatically by a system as specific price. What are the requirements for such orders?</p>	<p>By introducing a proposed definition of the term "algorithmic trading", the Division only intended to provide a level of certainty instead of relying on a generic term and its common inference when trading. The intention was not to expand the scope of the defined term to include certain automated trades</p>

			<p>which are not generally considered algorithm trading.</p> <p>The Division intends to publish an FAQ or Guidelines to provide Participants further guidance on the Division's expectation with respect to certain requirements, provide clarifications where applicable and set out examples/scenarios to assist Participants in complying with the proposed requirements.</p>
8.		<p>Requirement to submit the Client identifier and Unique Identifier on order entry</p> <p>This would require enhancement to the Order Management System and would not align with the current information that Members have on their OMS.</p>	<p>The Division acknowledges this comment and the analysis took into consideration the need for system changes by Participants.</p>
9.		<p>Requirement to identify Bulk Orders</p> <p>The proposal requires that when an order is exclusively for two or more clients that have a common parent entity, the Participant must enter the common parent entity's assigned Client Identifier in the Short Code field. This is different than the New SRO's requirement to put BU and MC order marker flag for bundled orders and multiple Client Orders, respectively. Since the MXRD is requiring firms to use different types of order markers than the New SRO this will require new mapping and logic to be developed by IIAC members which, given the number of impacted accounts, will require additional time.</p>	<p>The proposed requirement, except for the tagging format, is similar to CRO's requirement on bulk orders.</p>
10.		<p>It is not clear how a Participant would denote a "Bulk Order" if at all. There are methods for denoting "Bundled Order" and "Multiple Client Order" using the Short Code</p>	<p>When an order is for more than one account, there are three possible scenarios described in the proposal:</p>

		<p>field but there is nothing specified for denoting something as “Bulk Order”.</p> <p>Which client identifier should be used for these orders, is it the parent entity or the fund’s short code?</p>	<ul style="list-style-type: none"> i. a Bundled Order; ii. a Multiple Client Order; and iii. when an order is exclusively for two or more clients that have a common parent entity. <p>The term “Bulk Order” was only used in the Circular to reference these three scenarios collectively and does not in itself represent a type of order.</p>
11.		<p>In addition, it is not explicit in the requirements if there is an expectation for Participants to “unbundle” these orders.</p>	<p>The additional requirement under this Proposal only relates to the tagging of these orders. Participants are not expected to take additional steps to “unbundle” these orders.</p> <p>The Division intends to publish an FAQ or Guidelines to provide Participants further guidance on the Division’s expectation with respect to certain requirements, provide clarifications where applicable and set out examples/scenarios to assist Participants in complying with the proposed requirements.</p>
12.		<p>Requirement to report client information</p> <p>The MXRD’s proposed requirement to report LEI for institutional customers is in line with other regulatory requirements. However, Members have concerns around obtaining and providing information on our direct clients’ end clients. There are significant challenges in obtaining unique identifiers from our direct clients for each of their end clients. Participants do not have an obligation to “look through” our counterparty, so being able to identify and supply additional information for our direct clients’ end clients will pose difficulties.</p>	<p>The proposed requirement for assigning a Unique Identifier is similar to CIRO’s requirement for securities. Therefore, except for the tagging format, this requirement is being consistently applied to trading on derivatives listed on the Bourse.</p> <p>Participants will not be required to report any client information related to the Unique Identifiers on a daily basis, therefore the requirement to report client information does not extend to clients of direct clients. Such client information will remain subject to requests for information from the Division, as is presently the case.</p>

13.		We would also like further clarity on the MXRD's reporting requirements pertaining to orders entered by retail clients. We are concerned that the MXRD's approach to retail accounts could vary significantly from that already implemented by the New SRO for debt and equity trading.	When a direct client does not have a LEI (which includes legal restrictions that prevent the disclosure of LEIs) and is not a Sponsored access client (article 3.5 of the Rules), the Participant will not have to report any client information. Only a confirmation to that effect will be required .
14.		A new requirement to the Canadian marketplace is the need to report ISO 3166 Country Code for direct electronic access client that do not have an LEI. This new requirement will require additional IT development work to link the data.	The Division acknowledges this comment. With the implementation date postponed to Q2 2024, Participants will have additional time to implement all system changes required.
15.		IIAC Members request that the time to report client information align with the LOPR reporting requirements which allows for reconciliation and communication between front office and other members of operations groups. At many Member firms this information resides in the same system as LOPR data. The operations and IT teams at the Member firms would like greater clarity on the timeline and recommend that a technical working group be created to discuss the issue.	The Division has carefully considered all alternatives. To effectively conduct its supervisory function, the latest time limit for the Division to receive the prescribed information is as described in the Proposal, i.e. no later than 7 PM ET on the same business day the Client identifier was first used on order entry. As aforementioned, the Working Group (Circular 122-21) considered the technical requirements as well. Once we have the implementation date confirmed and made the technical specifications available, the Division will schedule further meetings with the Working Group.
16.		Members also request that documented guidance be provided on market correction submission similar to what the New SRO provided when it rolled out its RMCS portal.	The Division intends to publish an FAQ or Guidelines to provide Participants further guidance on the Division's expectation with respect to certain requirements, provide clarifications where applicable and set out examples/scenarios to assist Participants in complying with the proposed requirements.

17.		Requirement to identify algorithmic orders Same comment as provided under Unique identifiers	Please refer to our responses in relation to Unique identifiers and algorithmic trading.
18.		Requirement to identify Sponsored Access We require clarity on the proposed requirement to denote an order as True/False if a client is getting to market via Sponsored Access. Does that mean the existing Sponsored Access process will be overhauled-i.e., no portal tracking and no requirement to assign a unique SAM ID to each DEA client? If we were to continue the current process of assigning a unique SAM ID to each DEA client what is the purpose or the requirement to denote an order as Sponsored Access=True/False?	<p>The current requirement on client identifiers for Sponsored access under subparagraph 3.5(b)(vii) of the Rules will be repealed and replaced by the new requirement under this Proposal, which involves the Client identifier and tagging a sponsored access order by way of a “Yes/True”. Please refer to proposed changes under article 6.115. Accordingly, the reporting process tied to the previous requirement will no longer be required.</p> <p>However, the requirement to promptly inform the Division when a client ceases to have Sponsored access, subparagraph 3.5(b)(viii) of the Rules, will be maintained, in line with subsection 4.6(5) of Regulation 23-103. The process to notify the Division will be embedded in the new reporting prescribed under this Proposal.</p> <p>The technical requirement for an MX-ID is a distinct process relating to access to the electronic trading system of the Bourse. This will remain unchanged under this Proposal.</p>
19.		In our view, the expectation to assign and manage a unique SAM ID/DEA client list as well as a client Short Code and mark the order as Sponsored Access=True appears to have a lot of overlap/redundancies. How does the proposed marker change the existing DEA process, if at all? Is the Participant expected to continue issuing SAM IDs for Sponsored Access as well as maintaining a list of DEA clients	Please refer to the response above. The MX-IDs and Sponsored access identifier serve different purposes.

		as well as maintaining a list of Short Codes as well as marking every Sponsored Access order as “True”?	
20.		<p>Impact on Cross-Asset surveillance</p> <p>There is tremendous value for both SROs, and most specifically for Cross-Assets Surveillance, in receiving symmetrical data. Since one of the bases of Cross-Assets Surveillance is identifying a participant or access person transacting in both markets, receiving symmetrical client ID data would be a major advantage for both regulators. The New SRO would gain efficiency in building the IT systems supporting Cross-Assets Surveillance and the alerts would be more meaningful. Asymmetrical data would undeniably lead to less efficiency, more false positive alerts, and a greater number of "requests for information" from the regulator. There is a greater risk that actors looking to hide their activities could rely on the dynamic nature of the Short Code and its manual update process to obfuscate their manipulation of the markets. Finally, by using dynamic Short Code, in time, the investigative power of using historical data for analysis will be rendered useless. None of this serves the stated objective of the MXRD.</p>	<p>The Division acknowledges that the transmission solution chosen, the Short Code, brings about very different considerations and processes to implement. But other than the transmission method and consequently the format of the identifiers and tags, the Proposal does not require changes to information currently maintained by Participants and the information which will have to be reported are mostly similar to those prescribed under CRO’s requirements.</p> <p>The Division does not anticipate that this Proposal will have a negative impact on the cooperation in place between the Division and CRO, including the fulfillment of the cross-market surveillance mandate. The Division believes that by continuing the collaborative work with other regulatory authorities, including CRO, with adequate mapping and data management, there should be little to no risk of asymmetry in information collected.</p> <p>As also indicated above, the Short Code is a solution accepted globally as meeting the strict confidentiality requirements in Europe. According to feedback from the Working Group this could provide Participants, the vendors and the clients with the level of comfort expected in terms of security and confidentiality of information.</p>
21.		In addition to the benefits for the regulators and their Cross-Assets Surveillance, standardizing symmetrical data from the MXRD would also be of great benefit to IIAC members. Members also have a regulatory obligation to supervise cross-asset trading by their trading desks and clients. Having access to the same symmetrical client ID data as New SRO would greatly enhance the effectiveness of their own surveillance systems, enabling them to identify	

		<p>potential risks and compliance issues across multiple markets more efficiently. Standardizing this information would also improve collaboration between the New SRO, MXRD and IIAC Members, as all parties would be working with the same data, leading to a more streamlined and effective regulatory process overall. Overall, symmetrical data from MXRD would provide significant benefits for all stakeholders, enhancing their ability to effectively monitor and regulate cross-asset trading activities.</p> <p>Therefore, we recommend that the MXRD require LEIs for institutional clients and account numbers for retail clients to keep the data for surveillance and oversight purposes symmetrical.</p>	
22.		<p>Missing from the proposal is the consideration of the different types of order flows at a given Participant.</p> <p>There are institutional desk proprietary order flows as well as agency. There are retail desk order flows as well as Order Execution Firm (“OEO”) order flows. We recommend that the MXRD provide a matrix of the various order flows to help the IIAC members understand the requirements as some firms have several management teams including infrastructure personnel working on their IT projects.</p>	<p>The Division acknowledges that some Participants have different operating models and they will have to evaluate the Proposal to adapt the specifications onto their respective systems and models.</p> <p>As detailed in earlier responses, based on the information collected during our analysis and discussion with Participants, some with different business lines or divisions, and third party service providers, regardless of the solution chosen Participants and third party providers would have to undertake a complete evaluation to implement either solutions, Short Codes or encrypted LEI.</p> <p>The Proposal was designed from the perspective of Participants’ access to the electronic trading system of the Bourse. This approach should allow Participants certain flexibility, subject to technical specifications, to adapt the requirement to their respective business models.</p>

			<p>The Division intends to publish an FAQ or Guidelines to provide Participants further guidance on the Division's expectation with respect to certain requirements, provide clarifications where applicable and set out examples/scenarios to assist Participants in complying with the proposed requirements.</p>
23.		<p>Conclusion</p> <p>Members of the IIAC support the objectives of the MXRD, however, the proposal fails to assist the regulators in conducting cross-asset surveillance. The methodology proposed with the addition of Short Code to achieve these objectives needs to be revisited in light of the substantial work already done to meet client identifier requirements for other traded asset classes. Significant systems development will be required to accommodate the current MXRD proposals, and this development can only begin once the rules are finalized and detailed business specifications are made available to the industry. Members would require additional time for testing these new requirements as well.</p> <p>Members have significant resources dedicated to projects previously announced including North America's migration from T+2 to T+1. Considering the implication to the stability of the capital markets in North America we view T+1 as a priority. We request that the implementation deadline for these new MXRD rule proposals be moved by at least 12 months to no earlier than December of 2024.</p>	<p>As the earlier responses demonstrate, the Proposal is tailored on the Short Code model as it has the most potential to enable the Division to meet the objectives set out to enhance its surveillance functions in a defined timeframe.</p> <p>It also represents an equitable solution for both Canadian Approved Participants and Foreign Approved Participants to implement. It is less complex from a technical point of view, it allows most Participants to leverage experience in implementing a similar solution at other global derivatives exchanges, and it has global acceptance in terms of security and confidentiality of information.</p> <p>The Division does not anticipate that this Proposal will have a negative impact on the cooperation in place between the Division and CRO, including the fulfillment of the cross-market surveillance mandate. As indicated in our earlier responses, the Division will continue to work with the other regulatory authorities, including CRO, to ensure an adequate mapping of information for their respective regulatory functions and collective data management.</p> <p>The Division acknowledges the comment that the Proposal will require significant system changes by Participants and implementation of new processes. The Division will be postponing the implementation date to Q2 2024.</p> <p>There will be subsequent communications, including technical</p>

			specifications, to provide Participants reasonable time to make the required system change before the implementation deadline.
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