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<input type="checkbox"/>	<b>Trading – Equity and Index Derivatives</b>	<input type="checkbox"/>	<b>Technology</b>
<input type="checkbox"/>	<b>Back-office – Futures</b>	<input checked="" type="checkbox"/>	<b>Regulation</b>

**CIRCULAR**  
August 10, 2006

## **REMINDER**

### **BUSINESS CONTINUITY PLAN**

#### **IMPLEMENTATION OF ARTICLE 3012**

Bourse de Montréal Inc. (the Bourse) wishes to remind its approved participants that article 3012 of the Rules of the Bourse (Business Continuity Plan) became effective on July 31, 2006. All approved participants must therefore have in place an adequate business continuity plan that has been tested and, if required, reviewed by a qualified third party.

You will find in Appendix 1 and in Appendix 2 a copy of new article 3012 as well as a copy of the general guidelines summarizing the expectations of the Bourse in respect of the coverage by the business continuity plan of trading activities involving derivative instruments listed on the Bourse. Approved participants may also refer to circular no. 123-2005 issued by the Bourse on August 17, 2005, which informed approved participants of the upcoming implementation of this new regulatory requirement.

For further information, please contact Mr. Jacques Tanguay, Vice-President, Regulatory Division, at (514) 871-3518, or by e-mail at [jtanguay@m-x.ca](mailto:jtanguay@m-x.ca).

Joëlle Saint-Arnault  
Vice-President, Legal Affairs and Secretary

Encl.

Circular no.: 145-2006

**Bourse de Montréal Inc.  
Text of article 3012  
for which effective date of implementation is scheduled to be July 31, 2006**

**3012 Business Continuity Plan**  
(31.07.06)

Each approved participant must establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures must be reasonably designed to enable the approved participant to stay in business in the event of a future significant business disruption in order to meet obligations to its clients and capital markets counterparts and must be derived from the approved participant's assessment of its critical business functions and required levels of operation during and following a disruption.

Each approved participant must update its plan in the event of any material change to its operations, structure, business or location. Each approved participant must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the approved participant's operations, structure, business or location. The Bourse, in its discretion, may require this annual review to be performed by a qualified third party.



**GENERAL GUIDELINES ON THE  
DEVELOPMENT OF A BUSINESS  
CONTINUITY PLAN FOR ACTIVITIES  
RELATED TO THE TRADING OF  
DERIVATIVE INSTRUMENTS LISTED ON  
THE MONTREAL EXCHANGE**

**GENERAL GUIDELINES ON THE DEVELOPMENT OF A BUSINESS CONTINUITY  
PLAN FOR ACTIVITIES RELATED TO THE TRADING OF DERIVATIVE  
INSTRUMENTS LISTED ON THE MONTREAL EXCHANGE**

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## **PURPOSE OF DOCUMENT**

All approved participants of Bourse de Montréal Inc. (the Bourse) should, in their own interest, develop and maintain a business continuity plan that meets minimum standards and that will permit an effective and appropriate recovery of services following a major business interruption. Activities of approved participants related to the trading of derivative instruments listed on the Bourse should also be included in such a continuity plan. This is all the more true since the importance of this activity sector has gone through a very rapid growth in the recent years and represents an increasingly important part of many approved participants overall operations and for some of them this field of activity represents one of the most important part of their global operations.

The purpose of the following general guidelines is therefore to assist approved participants in the development of a continuity plan that will allow them to ensure that their derivative instruments trading activities will as little impacted as possible in case of a major business interruption thanks to the implementation of alternate measures allowing an as quick as possible recovery of these activities.

Since the present document covers only aspects related to the trading of derivative instruments, approved participants are invited to also consult various documents issued by other organizations such as the Investment Dealers Association of Canada. These other documents cover various aspects that are not discussed here such as, for example, those related to the financial management of firms.

Also, since approved participants firms are of different sizes and importance, each one of them should develop a plan that is adequately adapted to the particular situation of the firm.

In order to comply with new regulatory requirements, including those of new article 3012 of the Rules of the Bourse that will become effective on July 31, 2006, each approved participant must develop, implement and maintain a business continuity plan that takes into account the elements discussed in this document.

## **GUIDELINES FOR BUSINESS CONTINUITY PLANNING**

### ***SCOPE OF THE PLAN***

The Business Continuity Plan (the Plan) must protect the assets of the approved participant and of its clients and provide the capability to resume effectively its activities to a level and within a time period that will ensure compliance with legal and regulatory requirements.

The Plan must encompass all the activities of the approved participants and provide an adequate plan for each business area in which the approved participant has activities, including those related to the trading of derivative instruments listed on the Bourse, and this not only at the head office but at each location where the approved participant carries on activities.

The Plan must include written procedures that :

- are based on the analysis of the repercussions that could result from an interruption of the derivative instruments trading activities for the approved participant as well as for its clients involved in this type of activity;
- are subjected to a review and to testing at least once a year and proved fit for their purpose;
- are readily available in case of emergency; and
- are well understood by all concerned employees. These employees must, more particularly, be adequately informed and must understand precisely what will be their respective responsibilities and functions when it will be the time to put the procedures in action.

The Plan must ensure that there are suitable alternative facilities that will ensure as normally as possible the continuation of derivative instruments trading activities. It must also ensure that key employees involved in this type of activity will be rapidly available and, if necessary, that they have been given an adequate training to exercise duties or responsibilities that are in addition to those that they normally exercise. For example, the recovery site that would have to be used if, in reason of particular events, the usual location is no longer available could not be large enough to accommodate all employees thus forcing the approved participant to assign to this recovery location only a limited number of key employees. In such a case, these persons could therefore be required to exercise additional duties and responsibilities.

Finally, the Plan must provide for the availability, in another location, of critical technology, internal and external services, vital records and other items that are critical for resuming business.

### ***GOVERNANCE AND FUNDING***

Each approved participant must designate a member of its senior management as being responsible of the Plan. The mandate of this person will consist mainly to make sure that the approved participant has the available resources to finance and sustain initiatives required by the Plan. The entire senior management team of the approved participant will be responsible for approving the initial Plan and its subsequent annual updates.

It is important that the manager(s) of the department(s) involved into the trading of derivative instruments, like the managers of other departments of the approved participant, be involved in the development, the maintenance, the updating and the testing of the Plan. This is still more true when considering the fact that departments involved in the trading of derivative instruments and the resulting clearing, settlement and delivery activities generally use technological tools that are totally independent from those used by other services and also use human resources having a particular expertise in these types of activity.

These managers shall therefore define the operating level of their department and review, implement, test and approve this department procedures set out in the Plan.

### ***RECOVERY STRATEGIES***

The procedures of the Plan must be so designed that they provide for a worst-case scenario under which the approved participant would no longer have access to the usual business locations neither to critical systems and services.

These procedures must be so designed that there would be no or only negligible impact on derivative instruments trading activities and that these activities could resume without delay and to a sufficient extent to allow the approved participant to respect all its obligations resulting from such activities including, more particularly, those representing commitments to clients and to other counterparties with whom or for whose accounts transactions have been made or must be made.

The delays to resume activities must be specified in the Plan, taking into account the fact that external factors and the extent of the interruption could slow down the recovery speed.

### ***COMPONENTS OF THE PLAN***

#### ***1. Framework***

The framework defines the processes and standards allowing to develop, maintain, update and test an integrated set of plans as well as the necessary support infrastructure. It covers all areas, from control by senior management to business recovery including technical aspects.

#### ***2. Plans and Procedures***

The business continuity plan of each department involved in derivative instruments trading must define the responsibilities and the procedures to follow to establish the management of activities and necessary communications to maintain all critical activities and manage the business recovery. The plan must be supported by an analysis of the impacts that a major or extended business interruption will have on the firm and provide solutions to reduce these impacts. It must specify the facilities, services and technologies required to resume all critical business processes.

**The Senior Management Crisis Management Plan** must detail the procedures and support facilities required by the senior management team to maintain control of the approved participant's operations and ensure business recovery in case of crisis.

**The Incident Management Plan** must define staff responsibilities, procedures to follow to communicate information relating to an event to all participants (including external emergencies services, the public, business partners and customers, as appropriate), as well as procedures to coordinate all the activities of support groups during the execution of business recovery plans.

### ***3. Staff Awareness Plan***

The Staff Awareness Plan must ensure that all employees are continuously aware of their responsibilities and that they know how to keep contact and what to do in case of crisis.

### ***4. Facilities and Infrastructure***

The Facilities and Infrastructure Plan must be derived from the business plans and include all procedures relating to real estate, services, technologies, data and technical recovery required to allow the approved participant to resume its business activities.

## ***REVIEW AND TESTING***

All plans and procedures must be reviewed and tested at least once a year and every time that important changes in the activities of the approved participant or in the technical tools that are used occur.

Approved participants must be ready to participate in industry-wide testing or in testing coordinated by exchanges, clearing corporations or other providers of critical infrastructure.

## ***STANDARDS***

The content of the business continuity plan may be adopted from the following list, but in order for that content to be in compliance with regulatory requirements, it must include detailed and adequate procedures and provide for the testing of the plan at least once a year or more frequently if required by circumstances. Any revision or testing must be under the responsibility of an officer designated as being responsible of the business continuity plan and this officer must approve such reviews and testing.

### ***1. Communication***

The business continuity plan must include a list of contact persons and the procedures to follow to communicate with all employees, with building management (main location and recovery site), with customers and with counterparties. There must be in place alternate communication means to provide for disruption in any of the sites.

### ***2. Recovery location***

When it is necessary to have a recovery site and back-up facilities, this must be done in a location sufficiently far-away from the main location in order to reasonably ensure, as much as possible, electrical power, communications, water supply and transportation and reduction to a minimum of any other risk.

### ***3. System Back-up***

A complete back-up system must be in place in order to ensure the retention and availability of all data and the protection of source codes permitting to access these data.

### ***4. External Factors***

All third parties from whom the approved participant is significantly dependent to be able to operate in a satisfactory manner, such as providers of critical services, must be able to demonstrate that they have in place an efficient business recovery plan.

### ***5. Vital records***

All business units of the approved participant must ensure that there exists a copy of all vital records, be they paper records, microfilms or electronic records, and that such copies are retained in a secured geographically remote location and that it will be possible to access them within the delays provided for by the plan in case of emergency.

### ***6. Staff awareness***

Staff awareness plan must be designed in such a way that each employee has received the training necessary to be fully capable to react to an event and to perform the required business functions at the recovery site.

### ***7. Ongoing Maintenance of the Business Continuity Plan***

Business continuation is an operational requirement and, consequently, represents a critical component of the development process of any new business operation, new products, services or systems and must be ensured by the change management process.

### ***REPORT TO MANAGEMENT***

The officer responsible for the business continuity plan should inform the senior management of the approved participant on the progress toward the implementation of the plan.

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