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**CIRCULAR**  
September 25, 2009

**RULES OF BOURSE DE MONTRÉAL INC. REGARDING THE  
REGULATORY DIVISION AND THE  
SPECIAL COMMITTEE – REGULATORY DIVISION**

**AMENDMENTS TO ARTICLES 1, 3, 5, 6, 8 AND 9 AND  
ABROGATION OF ARTICLE 10 OF THE RULES REGARDING THE  
SPECIAL COMMITTEE – REGULATORY DIVISION**

**AMENDMENTS TO ARTICLES 1, 3 AND 6 OF THE RULES REGARDING  
THE REGULATORY DIVISION**

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) and l’Autorité des marchés financiers (AMF) have approved amendments to articles 1, 3, 5, 6, 8 and 9 and abrogation of article 10 of the Rules regarding the Special Committee – Regulatory Division, and to articles 1, 3 and 6 of the Rules regarding the Regulatory Division. This abrogation and these amendments are effective immediately.

The purpose of these amendments is to reflect the fact that the Bourse no longer carries on member regulation activities since their transfer to the Investment Dealers Association of Canada (IDA), now the Investment Industry Regulatory Organization of Canada (IIROC), as of January 2005. The proposed amendments are aimed also at updating the Rules regarding the Special Committee – Regulatory Division and the Rules regarding the Regulatory Division so that they reflect more adequately organizational and regulatory changes that have occurred in the recent years such as, for example, the creation of the Autorité des marchés financiers and the updating of certain rules of the Bourse.

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).

Jacques Tanguay  
Vice-President, Regulatory Division

Circular no.: 154-2009

**RULES REGARDING THE  
SPECIAL COMMITTEE - REGULATORY DIVISION**

**1. Definitions**

(24.11.00, 28.08.03, 25.09.09)

In these Rules:

“Approved participant” shall mean an approved participant of the Bourse, whose name is duly recorded as such on the register referred to in article 3010 of the Rules of the Bourse and who has been approved by the Bourse pursuant to its Rules for the purpose of trading products listed on the Bourse;

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

“Bourse” shall mean Bourse de Montréal Inc.;

“Independent member” shall mean a physical person who is a member of the Special Committee and who conforms to the board of directors independence standards of the Bourse.

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

“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 Rule Three of the Bourse which were re-adopted, by resolutions of the Board dated October 1, 2000, as forming part of the Rules and Policies of the Bourse.

**2. Binding effect**

(24.11.00, 25.09.09)

These Rules regarding the Special Committee shall be binding on all approved participants, on the directors, officers and employees of approved participants and on restricted trading permit holders.

**3. Composition of the Special Committee**

(24.11.00, 20.10.04, 25.09.09)

The Special Committee shall consist of a majority of independent members. Furthermore, the majority of Special Committee members must be Quebec residents.

**4. Appointment**

(24.11.00, 25.09.09)

The members of the Special Committee shall be appointed by resolution of the Board for a term of two years. Such appointment may be renewed at the discretion of the Board. A member of the Special Committee whose term has expired shall remain in office as long as necessary to permit the completion of any matter on which such member was sitting prior to the expiry of the term.

**5. Quorum**

(24.11.00, 20.10.04, 25.09.09)

The quorum at meetings shall be constituted of a majority of members in office of the Special Committee attending in person, by telephone or by videoconference. The majority of members so attending must be composed of independent members and be Quebec residents.

**6. Powers**

(24.11.00, 25.09.09)

The Special Committee shall have the following powers:

- 6.1 supervise and control the activities of the Regulatory Division, subject to the final authority of the Board and the Autorité des marchés financiers;
- 6.2 adopt or amend Rules and Policies of the Bourse relating to:
  - 6.2.1 applications for admission as approved participant;
  - 6.2.2 the operations and standards of practice and business conduct applicable to approved participants and restricted trading permit holders;
  - 6.2.3 investigations and disciplinary matters;
  - 6.2.4 dispute resolution.
- 6.3 recommend to the Board the adoption or amendment of Rules and Policies of the Bourse relating to:
  - 6.3.1 margin requirements;
  - 6.3.2 capital requirements applicable to approved participants; and
  - 6.3.3 market surveillance;
- 6.4 approve the applications for approved participant or designated representative status, as well as the suspension and revocation of such approvals pursuant to articles 3001 to 3960 of the Rules of the Bourse;
- 6.5 approve the resignations of approved participants pursuant to articles 3701 to 3708 of the Rules of the Bourse;
- 6.6 approve corporate changes affecting approved participants, such as changes of control, acquisitions of major positions and reorganizations;
- 6.7 order that a special examination or investigation be made pursuant to article 4003 of the Rules of the Bourse;
- 6.8 should the circumstances warrant, proceed summarily in the situations mentioned in articles 4004 and 4301 and following of the Rules of the Bourse;

- 6.9 order a suspension for failure to provide information pursuant to article 4005 of the Rules of the Bourse;
- 6.10 proceed to the hearing of appeals from decisions rendered by the Disciplinary Committee in regards to complaints, pursuant to articles 4101 and following of the Rules of the Bourse;
- 6.11 proceed to the hearing of appeals from decisions rendered by any other committee of the Bourse or the staff of the Bourse; and
- 6.12 accept or reject an offer of settlement pursuant to article 4203 of the Rules of the Bourse.

**7. Procedure**  
(24.11.00)

The rules of procedure applicable to the Special Committee shall be the rules of procedure of the Board, subject to such changes as may be necessary to adapt them to the circumstances.

**8. Decisions and Minutes**  
(24.11.00, 25.09.09)

Decisions of the Special Committee shall require the vote of the majority of those attending in person, by telephone or by video conference.

In disciplinary matters or summary proceedings, if a member becomes unable to act before a decision is rendered, the decision may be reached by the remaining members, provided they are at least four.

Copies of the minutes of each meeting shall be sent to all members of the Special Committee, to the Chairman of the Board, to the President of the Bourse and to the Vice-President, Legal Affairs and General Secretary.

**9. Consequential amendments**  
(24.11.00, 25.09.09)

Notwithstanding article 4251 of the Rules of the Bourse, there shall be no appeal from a decision of the Special Committee relating to disciplinary matters or summary proceedings except by way of a request for revision to the Bureau de décision et de révision en valeurs mobilières.

**10. Transitional**  
(24.11.00, abr. 25.09.09)

## **RULES REGARDING THE REGULATORY DIVISION**

### **1. Definitions**

(24.11.00, 25.09.09)

In these Rules:

“Approved participant” shall mean an approved participant of the Bourse, whose name is duly recorded as such on the register referred to in article 3010 of the Rules of the Bourse and who has been approved by the Bourse pursuant to its Rules for the purpose of trading products listed on the Bourse;

“Board” shall mean the Board of Directors of Bourse de Montréal Inc.;

“Bourse” shall mean Bourse de Montréal Inc.;

“Division” shall mean the Regulatory Division created 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 Rule Three of the Bourse which were re-adopted, by resolutions of the Board dated October 1, 2000, as forming part of the Rules and Policies of the Bourse;

“Special Committee” shall mean the Special Committee – Regulatory Division appointed by the Board pursuant to the rules adopted in that regard.

### **2. Creation of the Division**

(24.11.00)

The Division is created by the Board with the aim of ensuring that the regulatory functions of the Bourse are carried out efficiently and fairly. To this end, the supervision of the regulatory duties and operations of the Bourse are entrusted to the Division, which shall operate as a distinct business unit separate from the other activities of the Bourse. The Division shall be not-for-profit and financially self-sufficient.

### **3. Duties**

(24.11.00, 25.09.09)

The Division carries on its duties in the following fields of activity:

#### **3.1 Market analysis, including but not limited to:**

3.1.1 the review and analysis of the transactions executed on the market of the Bourse to determine whether the applicable Rules and Policies of the Bourse are being complied with;

3.1.2 the review and analysis of position reports filed on a regular basis with the Division by the approved participants of the Bourse;

- 3.1.3 the monitoring of insider trading activities on the market of the Bourse;
- 3.1.4 the analysis and processing of exemption requests filed by approved participants with the Division.
- 3.2 Examinations of approved participants derivative instruments trading desks, including but not limited to:
  - 3.2.1 the verification of the compliance of the trading practices of approved participants, their approved persons and restricted trading permit holders with the Rules and Policies of the Bourse;
  - 3.2.2 the issuance of reports that underline any deficiency identified in the course of an examination.
- 3.3 Investigations, including but not limited to:
  - 3.3.1 the investigation of possible violations to the Rules and Policies of the Bourse by an approved participant, an approved person or a restricted trading permit holder;
  - 3.3.2 the referring of any conclusive investigation to the person of the Division designated as being responsible for enforcement and disciplinary matters.
- 3.4 Enforcement and Discipline, including, but not limited to, the initiation of disciplinary procedures against an approved participant, an approved person or a restricted trading permit holder.
- 3.5 The development of regulatory proposals and the issuance of circulars, including, but not limited to:
  - 3.5.1 the development of regulatory proposals that seek to amend the Rules and Policies of the Bourse;
  - 3.5.2 the preparation of regulatory circulars published on a regular basis by the Bourse.
- 3.6 Registration, including, but not limited to:
  - 3.6.1 the processing of applications for admission as an approved participant;
  - 3.6.2 the processing of applications as SAM Authorized Persons;
  - 3.6.3 the processing of files relating to corporate changes affecting approved participants, such as changes in control, acquisitions of major positions in an approved participant's capital and reorganization;

**4. Supervision**  
(24.11.00)

The Division shall be subject to the supervisory powers of the Special Committee. More particularly, the Special Committee shall:

- 4.1 ensure that the Division has the resources it needs to carry out its duties;
- 4.2 ensure that the Division carries out its duties fairly, objectively and without conflicts of interest;
- 4.3 evaluate the performance of the Division semi-annually and report thereon to the Board;
- 4.4 review periodically the fees payable by approved participants and restricted trading permit holders, and make recommendations thereon to the Board.

**5. Fees**  
(24.11.00)

The fees relating to the Division payable by approved participants and restricted trading permit holders shall be those approved by the Board upon recommendation of the Special Committee.

**6. Administrative Structure**  
(24.11.00, 25.09.09)

- 6.1 The Division shall be managed by the Vice-President – Regulatory Division.
- 6.2 Except for matters within the purview of the Special Committee or the Board, the Vice-President – Regulatory Division shall have the authority to make all decisions relating to the Division.
- 6.3 The Vice-President and all other managers of the Regulatory Division shall reside in Quebec.
- 6.4 The Vice-President – Regulatory Division or the person designated by him shall attend the meetings of the Special Committee.
- 6.5 The Vice-President – Regulatory Division shall report to the Special Committee in regard to all regulatory and disciplinary matters.
- 6.6 With regards to day-to-day administrative matters, the Vice-President – Regulatory Division shall report to the person designated by the Bourse for that purpose.
- 6.7 The financial structure of the Division shall be separate from that of the other activities of the Bourse and will operate on a cost recovery basis. Any surplus will be redistributed to approved participants, and any shortfall shall be made up by a special assessment upon approved participants or by the Bourse upon recommendation to the Board by the Special Committee.

- 6.8 The amounts collected following disciplinary proceedings shall be recorded separately in the books of the Bourse and attributed to the results of the Division.
- 6.9 Any amount collected following disciplinary proceedings shall be used first to offset the direct costs incurred as part of such proceedings. The net surplus of the amounts so collected may be applied by the Division to any use deemed acceptable and approved beforehand by the Special Committee.
- 6.10 The Division may provide regulatory services to other exchanges, self-regulatory organizations, trading systems or other persons.
- 6.11 The Division may subcontract some of its work to other exchanges, self-regulatory organizations or other persons.