



**CIRCULAR**  
November 21, 2003

**RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER  
AND OF THE ULTIMATE DESIGNATED PERSON  
AMENDMENTS TO ARTICLES 3502 AND 7452  
ADDITION OF POLICY C-13**

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the “Bourse”) has approved amendments to articles 3502 and 7452 of the Rules of the Bourse and the addition of Policy C-13 to the Rules and Policies Manual of the Bourse. The purpose of the amendments to the concerned articles and of the addition of Policy C-13 is to clearly establish a distinction between the persons who are responsible towards the Bourse and those who are responsible for compliance within approved participants. These amendments also intend to create a structure that clearly establishes the role and functions of a Chief Compliance Officer. These amendments become effective immediately.

New Policy C-13 of the Bourse allows to distinguish the role of the Ultimate Designated Person from the role of the Chief Compliance Officer. The Ultimate Designated Person is a member of the senior management of an approved participant and is responsible towards the Bourse for the efficiency of the compliance system of the approved participant. The Chief Compliance Officer has the responsibility to ensure that policies, procedures and management of the approved participant’s compliance functions are efficient and that they comply with regulatory requirements. He shall, among other things, produce an annual report to the Board of Directors of the approved participant on the status of compliance within the approved participant and the Board must ensure that deficiencies that have been identified are adequately addressed. The Ultimate Designated Person and the Chief Compliance Officer can use alternate designated persons in whatever number required in order to fulfill their duties.

Furthermore, given the implementation of new Policy C-13, the Bourse has amended article 3502 of its Rules in order to delete therefrom the responsibilities that rested, until now, upon the approved participant’s designated representative. The title of designated representative is maintained but the role and responsibilities of this person will from now on be limited to corporate matters. However, in the case of small and medium size approved participants, nothing prohibits multiple functions. A designated representative can therefore act also as an Ultimate Designated Person and/or as a Chief Compliance Officer.

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Finally, article 7452 of the Rules has been amended to replace the obligation to be a partner, a director or an officer in order to be approved as a designated person, by the obligation to comply with the requirements of Policy C-13.

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

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Encl.

## **V. Designated Representatives**

### **3502 The Designated Representative Represents the Approved Participant** (25.03.94, 21.11.03)

The appointment of a designated representative must be filed in writing with the Bourse on the form prescribed by the Bourse and must constitute each designated representative as the representative of the approved participant for all dealings with the Bourse with full authority to act for and bind the approved participant. Such appointment shall also constitute the designated representative as the proxy of the approved participant for all meetings of approved participants.

For meetings of approved participants, the approved participant may appoint a substitute proxy and so may the designated representative, if he is so authorized by his appointment; the substitute proxy must be a partner in the approved participant, a director or officer of the approved participant or of another approved participant, an individual approved participant or another designated representative.

**Section 7451 - 7475**  
**Conduct of Accounts**

**7452 Diligence as to Accounts**

17.06.86, 01.08.87, 05.09.89, 15.09.89, 04.12.92, 01.04.93, 02.07.96, 09.03.99, 23.08.02, 21.11.03)

(...)

2) Every approved participant:

- a) must appoint, in accordance with Policy C-13 of the Bourse, an ultimate designated person or, in the case of a branch office, a branch manager reporting directly to an ultimate designated person; and
- b) where necessary to ensure continuous supervision, may appoint one or more alternate designated person;

who must be approved by the Bourse. The ultimate designated person or, in the case of a branch office, the branch manager is responsible for establishing and maintaining procedures and for supervising account opening and account activity. He must ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the reputation of the Bourse or the interests or the welfare of the public or the Bourse. He must supervise activity relating to securities in accordance with Bourse requirements and policies. In the absence or incapacity of the ultimate designated person, his authority and responsibilities must be assumed by an alternate designated person.

(...)

**POLICY C-13  
(21.11.03)**

**RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER AND ULTIMATE  
DESIGNATED PERSON**

**I. DEFINITIONS**

"Designated person" means either:

- a) an ultimate designated person who is either:
  - i) chief executive officer;
  - ii) president;
  - iii) chief operating officer;
  - iv) chief financial officer; or
  - v) Such other officer designated with the equivalent supervisory and decision-making responsibility who has been granted approval by the Bourse to act as the ultimate designated person;
- b) an alternate designated person who:
  - i) has been appointed by the approved participant to ensure continuous supervision;
  - ii) is approved as a partner, director, officer or is in the process of applying as one; and
  - iii) who has been granted approval by the Bourse to act as an alternate designated person; or
- c) except where expressly prohibited, a chief compliance officer who:
  - i) has been appointed by the approved participant;
  - ii) has been approved as a partner, director, officer or is in the process of applying as one; and
  - iii) has been granted approval by the Bourse to act as chief compliance officer.

**II. RESPONSIBILITIES**

1. Every approved participant must designate its chief executive officer, president, chief operating officer or chief financial officer (or such other officer designated with the equivalent supervisory and decision-making responsibility) to act as ultimate designated person, who shall be responsible to the Bourse for the conduct of the approved participant and the supervision of its employees.

2. Where an approved participant is organized into two or more separate business units or divisions, such approved participant may designate an ultimate designated person for each separate business unit or division.
3. Every approved participant must appoint an alternate designated person, who must be so approved, to act as chief compliance officer.
4. Notwithstanding section 3, an approved participant may appoint the ultimate designated person to act as chief compliance officer.
5. Where an approved participant is organized into two or more separate business units or divisions, such approved participant may designate a chief compliance officer for each separate business unit or division.
6. Every approved participant must also appoint as many additional alternate designated persons as is necessary, given the scope and complexity of its businesses, who must be partners, directors or officers of the approved participant.
7. The alternate designated person must report to the ultimate designated person, as necessary, in order to ensure that the businesses of the approved participant are carried out in compliance with applicable rules, regulations and policies.
8. The chief compliance officer must report to the board of directors (or equivalent) of the approved participant, as necessary but at least once a year, on the status of compliance at the approved participant.
9. The board of directors (or equivalent) must review the report of the chief compliance officer and determine what actions are necessary and ensure such actions are carried out in order to address any compliance deficiencies noted in the report.
10. The ultimate designated person must ensure that the policies and procedures are developed and implemented to adequately reflect the regulatory requirements of the approved participant.
11. The chief compliance officer must monitor adherence to the approved participant's policies and procedures as necessary in order to ensure that the management of the compliance function is effective and in order to provide reasonable assurance that the standards of the Rules and Policies of the Bourse are met.
12. Every approved participant must file with the Bourse:
  - i) a copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and
  - ii) a notice of any material changes to the organizational structure and reporting relationships as set out in sub-paragraph i) of the present section.