

Regulatory Division of Bourse de Montréal Inc.

Guidelines

Subject: Client and Order Identifiers
Rule Reference: Article 6.115 of the Rules of Bourse de Montréal Inc.
Last Update: March 28, 2024 (Effective on June 28, 2024 after market close)

These guidelines are published by the Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) to complement the regulatory requirements described in the Rules of the Bourse (the “Rules”) by providing Approved Participants and Foreign Approved Participants (collectively, the “Participants”) additional information and clarification, and setting out the expectations of the Division. Capitalized terms throughout these guidelines have the meanings specified in these guidelines or the Rules. In the event of a conflict between the Rules and these guidelines, the Rules shall prevail.

Introduction

On June 28, 2024, the amendments to the Rules regarding Client and Order Identifiers¹ (the “Identifier Requirements”) become effective.

These guidelines, on the Identifier Requirements, are divided into five sections:

1. Identifying clients and orders
2. Reporting client information
3. Algorithmic trading
4. Accuracy of information and submitting corrections
5. Written policies and procedures and recordkeeping requirements

A list of scenarios, providing examples of different types of situations to comply with the order entry requirements and reporting client information, can be found in the [Short Code Scenarios](#) published by the Division. The scenarios are examples of the most common situations the Division expects Participants to encounter, but the list is not exhaustive as there may be other scenarios that could apply.

Specifications, such as format, values and description of information reported to the Division, for example, the Short Code field, Unique ID field, Sponsored Access flag field and AlgoFlag field referenced in these guidelines, are set out in the [File Specifications](#) published by the Division.²

¹ Circular [144-23](#): Self-Certification - Amendments to Rules of the Bourse regarding Client and Order Identifiers

² Circular [015-24](#): Short Code Scenarios and File Specifications for reporting

Unless a modification is expressly indicated, the Identifier Requirements are in addition to, and do not replace existing identification rules such as identification of orders to ensure compliance regarding management of priorities and the “prearranged transaction marker”.³

1. Identifying clients and orders

Under the Identifier Requirements, Participants must assign identifiers to clients and identify orders with those identifiers or markers when entered on the Electronic Trading System of the Bourse, as prescribed under paragraph (d) of Article 6.115 of the Rules. These identifiers and markers are described below. For added clarity, the identifiers and markers described in this section do not cover all the identification requirements stipulated in the Rules. Only those described in Circular [144-23](#) are covered.

1.1. Client Identifier (Short Code)⁴

Participants are required to assign a Client Identifier, also referred to as the Short Code, to each direct client or, as applicable, to a controlling Person. A direct client means a Person having an account with a Participant, whether or not this Person is the ultimate end-client for an order (the "Direct Client").⁵ In a situation where a single order is entered on behalf of two or more Direct Clients that are all “affiliated corporations and subsidiaries”,⁶ the Client Identifier entered should be the one assigned to the controlling Person, which will either be one of the Direct Clients or a common parent entity.⁷

Participants are required to provide the Client Identifier in the Short Code field for each order entered on the Electronic Trading System.

The following outlines some variations from this general rule and highlights elements Participants should consider to ensure compliance with the Identifier Requirements:

- When an order is for the account of the Participant, the Short Code field must be left blank.
- When an order originates from another Participant for its own account, the Short Code field must be left blank.
- When an order originates from another Participant for the account of or on behalf of a Direct Client or any subsequent client thereof, the Client Identifier of the Participant from whom the order originates must be entered in the Short Code field.
- Any one Direct Client cannot have more than one Short Code assigned to it at a time.
- The Short Code assigned to a Direct Client can be changed at the discretion of a Participant. Any changes to a Short Code assignment must be reported to the Division. The reporting requirement is further described under section 2 of these guidelines.
- An inactive Short Code, that was previously assigned to a Direct Client, can be reassigned to a different Direct Client. Any changes to a Short Code assignment must be reported to the Division. The reporting requirement is further described under section 2 of these guidelines.

1.2. Unique Identifier (Unique ID)⁸

A Unique ID must be assigned to a client of a Direct Client, if the client uses its own algorithm, i.e. an algorithm not provided by either the Participant or its Direct Client, to generate orders.

³ Article 6.115 of the Rules, paragraphs (a) and (b)

⁴ Defined under subparagraph (h)(iv) of Article 6.115 of the Rules

⁵ Subparagraph (h)(vii) of Article 6.115 of the Rules

⁶ Article 1.103 of the Rules

⁷ Paragraph (f) of Article 6.115 of the Rules

⁸ Subparagraph (h)(vi) of Article 6.115 of the Rules

When an order is entered for the account of such a client, the Client Identifier of the Direct Client must be provided in the Short Code field and the client's Unique ID must be provided in the Unique ID field.

The requirement to provide the Unique ID at order entry applies on a per-client basis rather than a per-order basis. In other words, once identified as a client who uses its own algorithm, the client's Unique ID must be provided on all of this client's orders, regardless if the orders are entered using the algorithm or not.

1.3. Sponsored Access marker⁹

In accordance with Article 3.5 of the Rules, a Participant can authorize a client to transmit orders electronically to the Bourse through the systems of the Participant using the Participant's identifier ("Sponsored Access"). To identify these orders, Participants will be required to set the Sponsored Access Flag to "TRUE" for each Sponsored Access order.

More information on Sponsored Access is available in the [guidelines and FAQs published by the Division](#) on the topic.

1.4. Algorithmic trading marker¹⁰

A Participant is required to ensure that every order, entered on the Electronic Trading System through an algorithmic trading system, is identified with the algorithmic trading marker. When submitting these orders, the AlgoFlag field should be set to "TRUE".

The requirement does not apply to orders submitted with an automated order system 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 by an algorithmic trading system. For such orders, the algorithmic trading marker (the AlgoFlag field) would be set to "FALSE" when submitting the order.

Algorithmic trading is described further in section 3 of these guidelines.

1.5. Order on behalf of more than one client

Each Participant will be required to identify single orders entered on behalf of two or more clients by entering the prescribed value, in the format specified for the Short Code Field, depending on the combination of the type of clients¹¹:

- When a bundled order¹² is entered on the Electronic Trading System, the Participant must enter a value of "1" in the Short Code field. A Client Identifier is not required. A bundled order means a single order which bundles at least one Order for the account of the firm¹³ and at least one order for a client, which is not an Order for the account of a firm.
- When an order is entered on the Electronic Trading System on behalf of two or more Direct Clients and at least one client is not related to the other(s) as "affiliated corporations and subsidiaries", the Participant must enter a value of "4" in the Short Code field. A Client Identifier is not required.
- When an order is entered on the Electronic Trading System on behalf of two or more Direct Clients that are all related as "affiliated corporations and subsidiaries", the Participant must enter the Client Identifier assigned to the controlling Person in the Short Code field. The controlling Person can either be one of the Direct Clients involved in the

⁹ Subparagraph (d)(ii) of Article 6.115 of the Rules

¹⁰ Paragraph (c) of Article 6.115 of the Rules

¹¹ Article 6.115 of the Rules, paragraphs (e), (f) and (g)

¹² Defined under subparagraph (h)(viii) of Article 6.115 of the Rules

¹³ Defined under subparagraph (a)(iii) of Article 6.115 of the Rules

order or, if none of the Direct Clients is the controlling Person, the Client Identifier must be assigned to the common parent entity of the Direct Clients as controlling Person.

2. Reporting client information

Under the Identifier Requirements, a Participant is required to report the prescribed client information relating to every Client Identifier assigned to a Direct Client, or controlling Person, when certain prescribed conditions are met. The report must be submitted to the Division by 7:00 p.m. (ET) on the same business day the Client Identifier was first used on an order entered on the Electronic Trading System.¹⁴

For example, since a Trading Day begins at 8:00 p.m. (ET) (T-1), if a Direct Client with a Legal Entity Identifier (“LEI”)¹⁵ enters an order or has an order entered on its behalf on the Electronic Trading System for the first time on November 11, 2024 at 9:01 p.m. (ET), the Participant must report the prescribed client information no later than November 12, 2024 by 7:00 p.m. (ET).

The [File Specifications](#) published by the Division contain specifications, such as the format, the values and the description of the information which have to be reported to the Division. In the [Short Code Scenarios](#) published by the Division, examples on how client information must be reported are set out under the Mapping Operations tab.

2.1. Client information to report

The prescribed conditions under which a report containing client information must be submitted to the Division and the prescribed client information which must be reported are described below.

- When a Direct Client or, as applicable, a controlling Person has an LEI and there are no legal barriers preventing the disclosure of the LEI (an “Available LEI”), the Participant will be required to report the client information to the Division and include the following information:
 - i. Short Code: the Client Identifier;
 - ii. Client Legal Name: Direct Client’s LEI or, as applicable, that of the controlling Person;
 - iii. Country Code: ISO 3166 country code of the Direct Client’s legal address or, as applicable, that of the controlling Person;
 - iv. Sponsored Access flag: Sponsored Access marker indicating if the client is granted sponsored access or not;
 - v. Initial Date: date on which the client was assigned the Short Code;
 - vi. Good Til Date: date until when Short Code assigned remains valid (not required if a permanent Short Code is assigned and remains active);
 - vii. Client Terminated: applicable when the client ceases to be a Sponsored Access client.
- When the Direct Client or, as applicable, a controlling Person does not have an Available LEI but is a Sponsored Access client pursuant to Article 3.5 of the Rules, the Participant will be required to report the client information to the Division and include the following prescribed information:
 - i. Short Code: the Client Identifier;
 - ii. Client Legal Name: Direct Client’s legal name or, as applicable, that of the controlling Person;
 - iii. Country Code: ISO 3166 country code of the Direct Client’s legal address or, as applicable, that of the controlling Person;

¹⁴ Subparagraph (h)(iv) of Article 6.115 of the Rules

¹⁵ Defined under Article 1.101 of the Rules

- iv. Sponsored Access flag: Sponsored Access marker indicating that the client is granted sponsored access;
- v. Initial Date: date on which the client was assigned the Short Code;
- vi. Good Til Date: date until when Short Code assigned remains valid (not required if a permanent Short Code is assigned and remains active);
- vii. Client Terminated: applicable when the client ceases to be a Sponsored Access client.

2.2. Submitting reports to the Division

The report can be submitted on the [Division's Participant Portal](#) or by using the Secure File Transfer Protocol (SFTP) made available for the purpose of reporting.

With the Identifier Requirements being effective on June 28, 2024 after market close, Participants are expected to submit to the Division a first report with the prescribed client information for all Client Identifiers which meet the reporting conditions (the "First Report").

- The First Report is due by 7:00 p.m. (ET) on July 2nd, 2024.
- Participants have the opportunity to submit the First Report before the above mentioned dates once the reporting module on the [Division's Participant Portal](#) or the SFTP is available.
- New Participants, onboarding after the effective date, must submit the First Report by 7:00 p.m. (ET) on the first business day their trading operation triggers the prescribed conditions to report.

Every report which a Participant is subsequently required to submit (the "Subsequent Reports") would only need to contain changes to the client information provided to the Division in the First Report or new information on the Direct Client or, as applicable, the controlling Person meeting the prescribed conditions to report. In other words, Subsequent Reports will add new Short Code entries and include the related client information, modify existing entries, or delete entries on record. For added clarity, the Subsequent Reports must also be submitted to the Division by 7:00 p.m. (ET) on the business day the client information changes regarding an order triggering the prescribed conditions to report.

2.3. Sponsored Access notifications

The notification steps related to Sponsored Access under Article 3.5 of the Rules are as follows:

- New Sponsored Access:

Upon providing Sponsored Access to the client, the Participant must immediately inform the Division of this new access. Each time a client is provided Sponsored Access, the Sponsored Access marker associated with this client's Client Identifier (Short Code) must be set to "TRUE" and reported to the Division in accordance with the reporting requirements set forth in the Rules, i.e. by 7:00 p.m. (ET) on the same business day the Client Identifier is first used on order entry under a Sponsored Access.

- Terminating a Sponsored Access:

If a client ceases to have Sponsored Access, the Participant must promptly inform the Division.¹⁶ Once the Identifier Requirements become effective, the Participant must terminate the Sponsored Access at the end of the business day and inform the Division of the cessation by setting the Client Terminated field to "TRUE" and submit the report in accordance with the reporting requirements set forth in the Rules, i.e. by 7:00 p.m. (ET) on the same business day the Client Identifier was terminated as a Sponsored Access. This entry will terminate the client as a Sponsored Access client and deactivate the Short Code.

¹⁶ Subparagraph (b)(vii) of Article 3.5 of the Rules

If the client continues to trade through the Participant as Direct Client without a Sponsored Access, the Participant must assign a new Short Code. If the client has an LEI, the report must be submitted in accordance with the reporting requirements set forth in the Rules, i.e. by 7:00 p.m. (ET) on the same business day the Client Identifier is used on an order.

For example, if a Sponsored Access client XYZ Ltd. ceases to have Sponsored Access on November 12, 2024, the Participant should terminate the access at the end of the business day and must submit the termination report no later than November 12, 2024 by 7:00 p.m. (ET). If client XYZ Ltd. continues to trade through the Participant as a Direct Client and order is entered on its behalf on November 13, 2024, the Participant must submit the new Short Code assigned at order entry and, if the client has an LEI, report the prescribed client information no later than November 13, 2024 by 7:00 p.m. (ET).

2.4. Information relating to an assigned Unique ID

A Participant does not have to report information on a client to whom a Unique ID is assigned. However, as part of its regulatory functions, the Division may request such information¹⁷ and Participants must be able to retrieve and make available the information requested by the Division.¹⁸

3. Algorithmic trading

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.¹⁹

Algorithmic trading represents a subset of trades that are generated or transmitted using an automated order system. Algorithmic trading does not include an automated order system that is only used for the purpose of routing orders or for the processing of orders involving no automatic determination of the trading parameters.

In order to further distinguish algorithmic trading from other types of automated trades, a key element of the definition of algorithmic trading is the level of human intervention. The notion of human intervention can be measured by looking at the decision-making process and human involvement in submitting the order. If the trading decision is made by a person or a person establishes pre-determined parameters of the order, such as a price level to trigger a trade or the order size, then the trade is not likely to be considered algorithmic trading.

4. Accuracy of information and submitting corrections

Participants must ensure the proper identification of orders when entered on the Electronic Trading System and submit accurate and complete information to the Division. If an error is made, the Participant must submit corrections to the Division within a reasonable time delay. The corrections can be submitted on the [Division's Participant Portal](#).

¹⁷ Article 4.100 of the Rules

¹⁸ Article 4.101 of the Rules

¹⁹ Subparagraph (h)(v) of Article 6.115 of the Rules

5. **Written policies and procedures and recordkeeping requirements**

Pursuant to the Rules, the Participant's written policies and procedures should be reasonably designed to address all applicable requirements, including the Identifier Requirements, and have adequate supervisory controls in place to ensure compliance. Participants have the flexibility to adapt their policies, procedures and controls, in a way acceptable to the Division, to match their type of business, clients and operations.

Such policies must include adequate recordkeeping and, where applicable, a Participant should be able to demonstrate how such records achieve compliance with the Rules. The Participant must be able to promptly produce such records upon request from the Division.

For example, a Participant is required to submit Direct Client's information, or, as applicable, that of the controlling Person, including the client's LEI when available. In the event that legal barriers prevent a Participant from reporting a Direct Client's LEI or, as applicable, that of the controlling Person, the Participant's record should contain evidence of reasonable efforts by the Participant to obtain the Direct Client's LEI. Such efforts may include (i) the Participant's policies and procedures regarding its client outreach process, (ii) correspondence between the Participant and the Direct Client, and (iii) an explanation of any legal obstacles preventing the Participant from disclosing an LEI, which may be in the form of a legal opinion.

As another example, a Unique ID must be assigned to a client, other than a Direct Client, if the client uses their own algorithm. Therefore, a Participant must have policies and controls in place to ascertain a Unique ID has been assigned and each Participant can have different approaches to do so, depending on its compliance and risk framework. For example, a Participant can use an attestation from the client as a means to confirm whether the client is using an algorithmic trading system to submit orders. The Division would consider this attestation as an adequate control if it is obtained for new clients and updated at a reasonable frequency.

Questions regarding these guidelines may be directed to the Division at:

- 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