

## **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, 21.05.15)

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.

**5. Fees**  
(24.11.00, 21.05.15)

The fees relating to the Division shall be those approved by 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, other than fines and other amounts specified in paragraph 6.8 below, 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 Fines and other amounts cashed in by the Division pursuant to settlement offers concluded with the Division or disciplinary procedures must be treated as follows:
  - 6.8.1 no amounts shall be redistributed to approved participants of the Bourse;
  - 6.8.2 a separate accounting shall be maintained to account separately for the revenues and expenses related to disciplinary files;
  - 6.8.3 any amount cashed in shall first be used to cover the direct costs incurred in connection with such proceedings;
  - 6.8.4 any net excess shall be used, with the approval of the Special Committee, for either one of the following purposes:

- 6.8.4.1 for the education or information of derivative products market participants and of the public in general or for the costs of research in that field;
  - 6.8.4.2 for payments made to a not for profit and tax-exempt organization whose main mission is to protect investors or carry on the activities mentioned in subparagraph 6.8.4.1 above;
  - 6.8.4.3 for educational projects;
  - 6.8.4.4 for other purposes approved by the Autorité des marchés financiers.
- 6.9 The Division may provide regulatory services to other exchanges, self-regulatory organizations, trading systems or other persons.
- 6.10 The Division may subcontract some of its work to other exchanges, self-regulatory organizations or other persons.