

February 10, 2016

Delivered Via Email: jfbertrand@m-x.ca; bgelfand@m-x.ca

Mr. Jean-François Bertrand
Vice-President, Market Operations, Services and Connectivity
Bourse de Montréal Inc.
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Mr. Brian Gelfand
Vice-President and Chief Regulatory Officer
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Dear Mr. Bertrand and Mr. Gelfand:

Re: Special Terms Transaction Reporting by non-SAM authorized personnel

The Investment Industry Association of Canada (IIAC) would like to suggest a technological amendment to the Special Terms Transaction Reporting Form used for Exchange for Physical (EFP), Exchange for Risk (EFR) or Riskless Basis Cross (RBC) transactions.

The IIAC is the national association representing the position of 144 IIROC-regulated Dealer Member firms on securities regulation, public policy and industry issues. We work to foster a vibrant, prosperous investment industry driven by strong and efficient capital markets.

Current Special Terms Transaction Reporting

The IIAC was made aware by its members of reporting issues regarding EFP, EFR and RBC transactions. The current form, as included on the MX portal, only allows SAM authorized personnel to report the trade details of a transaction. This fact is stated in circular 064-14 issued on May 9, 2014 and its related “Special Terms Transaction Reporting Form User Guide”:

“...the Special Terms Transaction Reporting Form is restricted to SAM Authorized Persons of Canadian and Foreign approved participants of the Bourse.”

Allowing submission by non-SAM authorized personnel

Our members believe that reporting such information to the MX is an administrative task and should not be restricted to SAM authorized personnel. Allowing administrative or back-office personnel to access the Special Terms Transaction Reporting Form for submission to the MX would help our members increase their operational efficiency. Our members understand that, even if the form completion/submission task is delegated, the SAM authorized person remains responsible for the trade accuracy. Furthermore, the Head trader has oversight over this function.

The “Special Terms Transaction Reporting Form User Guide” also explains the following:

“The reporting form, located at (<http://sttrf-frots.m-x.ca/>), includes the use of login credentials, drop down menus, reference numbers, and mandatory/conditional fields. The “smart form” is interactive and self-explanatory and serves to minimize the amount of potential erroneous or rejected submissions.”

Our members agree that the “smart form” minimizes possible errors and has lowered the number of rejected submissions. Furthermore, the firms find the form quite user-friendly. However, some of our members have indicated that completing the form is very time consuming for SAM authorized traders since they are concurrently managing market risk and focusing on their clients’ needs, which increases the risk of inaccurate filings in volatile markets. The IIAC and our members would therefore like to propose the following amendment in order to, as previously stated, increase operational efficiency:

The Approved Participants should be given the option of allowing their Non-SAM authorized personnel to report the trade details given that the function is relatively administrative in nature. Our members do not consider reporting the trade details of a Special Terms Transaction to the MX as being a submission of trade instructions (which would require the involvement of SAM authorized personnel).

Technological amendment needed

The “smart form” included on the MX portal should be amended. We believe the form should continue to indicate the SAM ID of the trader executing the transaction but should also provide a field for non-SAM authorized personnel in the event they are completing and submitting the form to the MX.

We believe that a technological amendment to the MX portal and to the Special Terms Transaction Reporting Form User Guide is required to allow non-SAM authorized personnel to submit trade details while allowing member firms to keep an accurate audit trail (re. who executed the trade, who submitted the trade details to the MX). Furthermore, the sharing of credentials between firm employees (registered trader and administrative personnel) is not an option since it is a violation of many members’ internal policies and could create compliance issues.

We will be more than happy to discuss this issue with you if you wish to do so.

Yours sincerely,



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