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M^e Jean-Philippe Joyal
Legal Counsel, Legal Affairs, Derivatives
Bourse de Montréal Inc.
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M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des Marchés Financiers
Tour de la Bourse
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Dear M^e Joyal and M^e Beaudoin:

Re: Requests for comments - as per Circular 087-16, 088-16 and 090-16 issued by Bourse de Montréal Inc. on June 22 and June 29, 2016

The Investment Industry Association of Canada (the "IIAC") would like to take this opportunity to express its views on the proposed changes via Requests for comments - as per Circular 087-16, 088-16 and 090-16 issued by Bourse de Montréal Inc. on June 22 and June 29, 2016.

The IIAC is the national association representing the position of 136 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.

The IIAC would like to thank Bourse de Montréal Inc. (the “Bourse”) for putting forward:

- Trading Practices and Oversight – Amendments to Articles 4002, 4103, 6377, 6651 and 14157 of the Rules of the Bourse and Abrogation of Policy C-1 – Exemption Request from a Position Limit as listed in Circular 087-16.
- General Updates – Introduction of Article 6663 and Amendments to Articles 6121, 6369, 6369A, 6370, 6373, 6378 and 6654 of the Rules of the Bourse as listed in Circular 088-16.
- Trade Practices – Amendments to Articles 5002 and 6652 of the Rules of the Bourse as listed in Circular 090-16.

Circular 087-16:

Article 4002 – Notice of Non-Compliance

The IIAC is taking this opportunity to comment on the proposed revisions to Article 4002 pursuant to Circular 087-16. In particular, we would like to comment on the proposal to amend the standard under which a participant is required to file a non-compliance report.

We believe that the amendment from an objective determination of the event of a breach in the Bourse regulations to a subjective determination based on the participant’s judgment sets an arbitrary standard. The revision to the standard from a prescriptive determination on the part of the participant of the event of a breach of the rules, to a subjective determination that a breach has “likely” occurred, sets a threshold that exposes participants to risk associated with the misinterpretation of the reporting criteria. We believe it is contrary to the effective mitigation of regulatory risk as the standard of interpretation of a “likely” breach is arbitrarily determined by individual participants.

We acknowledge the Bourse’s opinion that an Approved Participant may not be in a position to determine conclusively whether or not a violation has been committed and consequently the determination of the occurrence of a breach is prerogative of the Bourse. However, we respectfully propose that the Bourse considers an objective determination that Participants may rely on in evaluating whether the filing of a report of non-compliance is required.

At a minimum, we propose that the Bourse provides substantive guidance that Firms may rely on or refer to a common standard prescribed in existing regulation or law upon which firms may base their determination of the requirement to file. We believe that this approach mitigates the potential for the misapplication of the standard by participants and the resulting potential risk of non-compliance on the part of Participants with respect to the obligation to report.

Furthermore, the deadline of ten days to file a gatekeeper report once a member determines that “it is likely” that a violation of the Rules of the Bourse occurred should be aligned with the Investment Industry Regulatory Organization of Canada (“IIROC”) rule 10.16 regarding Gatekeeper Obligations. As per IIROC rules, members must report the findings of an internal investigation to the IIROC Market Regulator if the finding of the investigation is that a violation of an applicable provision of UMIR has occurred. Such report shall be made not later than the 15th day of the month following the month in which the findings are made. The IIAC believes that the gatekeeper deadline should be aligned between the Bourse and IIROC.

Article 6377 – Keeping Records of Orders

The IIAC is taking this opportunity to comment on the proposed revisions to Article 6377 pursuant to Circular 087-16. Our members believe that the rule should make clear that records of orders must be kept in a format that cannot be modified, be kept for a period of seven years, and that the rule should be aligned with that of the equity record retention guidelines. We also believe that the rule should clarify whether or not phone conversations must be kept for seven years.

Furthermore, part of the proposed expanded scope is already present in Article 7467 of the Rules of the Bourse. A reference to Article 7467 in Article 6377 may be warranted.

Article 6651 – Position Limits

The IIAC believes Article 6651 should be reviewed as certain position limit thresholds should be modified. Furthermore, the IIAC believes the wording should be clarified regarding the meaning of “hedge” in relation to equity options and the position limits should be updated accordingly. We believe this topic will require further discussion between the Bourse and the industry.

Circular 088-16:**Article 6663 – Communications with the Market Operation Department**

The IIAC is taking this opportunity to provide comments on the proposed Article 6663. We believe that the wording should be clarified to ensure that only approved persons/authorized clients or designated representatives can contact the Market Operation Department of the Bourse.

Circular 090-16:**Article 5002 – Montréal Local Time**

The IIAC is taking this opportunity to provide comments on the proposed revisions to trade practices requirements as identified in Circular 090-16. Specifically, we would like to comment on the proposed revision to Article 5002 to bring this regulation into alignment with similar provisions in IIROC rules.

In general, the IIAC welcomes attempts to enhance conformance in regulation across asset classes and regulatory regimes. However, there are notable differences in certain technological and operational aspects of the functioning of equity and derivative markets which make the imposition of the IIROC standard to synchronize manual time clocks to within +/- 50 milliseconds impractical in many instances.

In the equity trading environment, recording of order information is now largely conducted through automated order routing systems. Consequently, the standard to synchronize to standard UTC time within +/- 50 milliseconds is not an onerous standard.

In contrast, the technological applications associated with derivatives trading activity, particularly in the futures markets in Canada, has not kept pace. Recording of futures orders for the purpose of audit trail records continues to be a manual process for many participants. Upgrading technology to enable synchronization of manual clocks to the standard implied under the proposed rule represents a notable cost for some of our members.

In general, given the manual nature of the time stamping process whereby recording the times of receipt of an order is not automated, we believe the specificity of the synchronization requirement adds no appreciable enhancement to market integrity.

We respectfully submit that existing standards that have been applied by the Bourse to the synchronization of manual time stamping devices are sufficient until such time as technological innovation in the futures markets approaches the sophistication found in the equity trading environment.

In conclusion, the IIAC generally believes that the rule modifications will provide greater clarity for market participants and will be aligned with current practices in the industry. We also believe, as do our members, that the modernization of the language of the rules will be beneficial to industry participants.

Lastly, the IIAC has welcomed pre-consultation on the amendments to the different articles and remains available for further consultations.

Yours sincerely,



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