



June 13, 2017

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M<sup>e</sup> Anne-Marie Beaudoin  
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Dear M<sup>e</sup> Jannelle and M<sup>e</sup> Beaudoin:

**Re: Request For Comments - as per Circular 066-17 issued by Bourse de Montréal Inc. (the “Bourse”) on May 15, 2017 (the “Circular”) – Amendments to the procedures applicable to the execution of strategies involving options of the Bourse to render the use of the “user-defined strategy” facility by approved participants mandatory – Amendments to the *Procedures applicable to the execution of strategies involving futures and options on futures of the Bourse.***

The Investment Industry Association of Canada (the "IIAC") would like to take this opportunity to express its views on the proposed changes via Request for Comments - as per the Circular.

### The IIAC and its Mandate

The IIAC is the national association representing the position of 130 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 Bourse's Proposed Amendments

The IIAC and its Members understand that the Bourse's proposed amendments were intended to:

*"...render the use of User-Defined Strategies ("UDS") facility mandatory for the execution of option strategies. The objective is to reduce the operational and financial risks associated with the current manual processing of these transactions by the Market Operations Department ("MOD") at the request of trading desks, which involves multiple steps, and to support trading efficiency and transparency by standardizing the process for its participants. The Bourse's proposition to render the use of the UDS facility mandatory for the execution of option strategies aims to empower trading desks in their trading habits, which will allow them to more effectively serve their clients, with respect to creating and executing option strategies."*

We note that these amendments would become effective as of August 1, 2017, before market opening.

### IIAC's Position on the Proposed Amendments

The IIAC and its members believe that replacing an antiquated, slow and manual process with a streamlined technological solution should be in the interest of all market participants. We believe the use of an automated solution, when functioning properly, decreases operational and financial risk.

It should be noted that our industry has greatly accepted and implemented the use of the UDS facility. As per the Circular, approximately 25 transactions a month (out of 1,000) are done manually by the Market Operations Department (“MOD”). Therefore, our industry already uses the automated process in a proportion of 97.5%.

#### 2.5% of transactions are called in and executed by the MOD

We note that some of our members’ systems will not support the UDS facility. As mentioned in the Circular:

*“Currently, UDS can be configured and executed directly by market participants if the functionality is supported by the Independent Software Vendor (“ISV”) a participant is using for accessing the Bourse’s products or by their own proprietary applications. In the Bourse’s current trading environment, participants can also execute option strategies by calling the MOD, which will execute such strategies manually on their behalf. Over the years, multiple ISVs have adapted their systems to support the UDS facility, to better serve their clients (it is now being offered by the main ISVs used by equity trading desks). Over the years, this functionality has proven to be very effective for executing all acceptable strategy types.”* [Emphasis added]

We agree that “multiple ISVs” support the UDS facility. Unfortunately, not “all ISVs” support the facility. We doubt the additional cost for industry members to update/change their systems for a total of approximately 25 occurrences a month (as mentioned in the Circular) makes financial sense for our members.

The option of asking clients to execute each leg of the strategy individually via the legs’ central limit order book is not a valid solution since, as mentioned in the circular, it creates execution risk.

The option of transferring the strategy order flow to brokers who have adopted the UDS facility may not be a valid solution either as brokers may not want to trade a strategy for a client and execute it elsewhere.

## Manual transactions

We believe the system limitations are the cause of the “manual” transactions, and not, as included in the Circular, an attempt by our members “to disengage from their accountability”:

*“The Bourse also wants to highlight that the manual execution of options strategies has somewhat allowed approved participants to disengage from their accountability towards their clients. This has resulted in the Bourse bearing the responsibility of ensuring that the strategies are executed correctly and that the option strategy structure is in fact acceptable. The proposed modifications aim to reverse this trend and empower approved participants with the ability to perform these tasks for their clients.” [Emphasis added]*

Therefore, we believe that the few members that must call in their strategy to the MOD due to system limitations should still be allowed to do so going forward.

Please note that the IIAC and its Members, as always, remain available for further consultations.

Yours sincerely,



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