



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

www.iiac.ca

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Delivered Via Email: legal@tmx.com; consultation-en-cours@lautorite.qc.ca

M^e Alexandre Normandeau
Legal Counsel
Bourse de Montréal Inc.
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Montréal, Québec H3B 0G7

M^e Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec, Québec G1V 5C1

Dear M^e Normandeau and M^e Lebel,

Re: Bourse de Montréal Inc. – Request for Comments: Amendments to Article 6.208 of the rules of Bourse de Montréal Inc.: Exchange of futures for related products

The Investment Industry Association of Canada (the "IIAC") and its members would like to take this opportunity to express their views on the proposed amendments (the "Proposal") to the Rules of Bourse de Montréal Inc. (the "Bourse") regarding exchanges of futures for related products ("EFRP") as per Circular 069-20 (the "Circular") issued on April 27, 2020.

The IIAC is the national association representing the position of 115 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.

We remind Bourse de Montréal Inc. that this comment letter, in its entirety, can be published on the Bourse's website.

Unnecessary regulatory burden

The IIAC and its members support the Bourse's objective that:

“When a potential situation is identified as being an unnecessary regulatory burden, consistent with its vision to consider market challenges, the Division endeavours to make an assessment”.

We believe the current Proposal is in line with this position.

Current obligation

The current version of paragraph(f) of Article 6.208 of the Rules of the Bourse states:

“In all circumstances, an EFRP Transaction can only be arranged by the Approved Participant's Approved Persons”.

The current obligation relating to EFRP transactions is that only an Approved Person (an employee of an Approved Participant or an employee of an affiliate or subsidiary) duly approved under Article 3.400 can 'arrange' (conclude) an EFRP transaction.

The Regulatory Division noted that this current requirement “may not accurately reflect the business or operational models of some Participants and/or their affiliates”. The IIAC agrees with this view.

Comparison to Major Exchanges

Following their comparative analysis to major exchanges (CME, ICE, ASX, EUREX), the Regulatory Division has concluded that these exchanges “impose on the participating firm the responsibility of ensuring that all conditions related to trading EFRP are met. These exchanges do not impose an eligibility requirement on the individual concluding an EFRP, like the one imposed in the Rules on Approved Persons”.

Proposed Amendments

With this Proposal, as per the Regulatory Division, “Participants will now have the option to adapt their operational model, and consequently establish and maintain a system to supervise the arrangement and execution of an EFRP which is reasonably designed to achieve compliance with the requirements of EFRP transactions in the Rules and with any legislation and regulations that may be applicable to them, its affiliates and/or its clients”.

The Regulatory Division also mentions that:

“Regarding EFRP transactions, such a supervisory system should include notably written policies and procedures, maintenance of adequate records of supervisory activity in order to ensure that all requirements relating to an EFRP are met, including requirements that may be applicable to the cash/swap leg”.

Confusing Wording

Our members wonder about the following sentence: “The Approved Participant must achieve compliance with the Regulations of the Bourse and all other applicable legal and regulatory requirements with respect to the execution of an EFRP Transaction under this Article”. Members wonder what the Bourse had in mind when referring to legal requirements. We are not sure why legal requirements were mentioned in this Proposal.

Position of the Industry

The IIAC and its members support the Proposal. We do believe that the Proposal assists IIAC members by improving operational efficiency, without negative impacts to markets or investors. Furthermore, we believe that harmonization with major exchanges is beneficial for industry participants.

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

Yours sincerely,



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