



June 13, 2022

Delivered Via Email: memberpolicymailbox@iiroc.ca, marketregulation@osc.gov.on.ca

Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8

Re: IIROC – Request for Comments - Re-publication: Proposed Derivatives Rules Modernization, Stage 1

Bourse de Montréal Inc. (“MX”) would like to take this opportunity to express its views on the amendments proposed by the Investment Industry Regulatory Organization of Canada (“IIROC”) to its Rules regarding IIROC’s “Derivatives Rules Modernization Project, Stage 1” - “Re-Publication” (the “Revised Proposed Changes”) as described in the Notice 22-0055 (the “Notice”) issued on April 14, 2022.

MX, a subsidiary of TMX Group Limited, operates a market of listed derivatives, including equities and fixed-income derivatives, and provides clearing facilities for such listed derivatives through its affiliate, the Canadian Derivatives Clearing Corporation (“CDCC”). It is vital to MX’s participants and CDCC’s clearing members, and to all institutional and retail investors, that the derivatives market in Canada remains fair, efficient and competitive. Our businesses rely on the participants’ and the clearing members’ trust and confidence in the Canadian derivatives market. The roots of such trust and confidence must grow out of rules that are clear, certain and fair, ensuring that the Canadian derivatives market remains competitive and consistent with international best practices.

Subject to the following comments, MX is generally supportive of the Proposed Changes submitted by IIROC.

Best execution Requirements and Client Priority Rules

With respect to IIROC’s monitoring and enforcement approach regarding best execution and client priority requirements, MX notes that the Revised Proposed Changes extend the scope of application of the best execution requirements and obligations to derivatives traded on any marketplace. MX would like to remind IIROC that MX rules also provide for such requirements with respect to derivatives listed on MX. We are of the view that IIROC and MX should work together in order to subject the marketplace to efficient monitoring and enforcement, and ascertain that MX’s and IIROC’s respective best execution and client priority requirements do not conflict in so far as MX listed derivatives are involved.

The new Memorandum of Understanding (“MoU”) between IIROC and MX announced on January 24, 2022 by the Canadian Securities Administrators should help clarify how the monitoring and enforcement are to be conducted in the case of best execution or client priority breaches when cross-market activities are involved.

As per the MoU, IIROC is responsible for carrying out all cross-market surveillance activities, including the data and information analyses to determine whether there is a potential violation. Under the MoU, IIROC and MX’s Regulatory Division (“MXR”) have also implemented a process

for the referral of investigation and enforcement activities arising from activities performed in the context of cross-market surveillance. When a case involves one or more IIROC Dealer Members that are not Approved Participants of MX, IIROC is responsible for conducting investigations and enforcement. When a case involves one or more Foreign Approved Participants of MX that are not IIROC Dealer Members, MXR is responsible for conducting investigations and enforcement. Generally, when a case involves one or more persons that are both IIROC Dealer Members and MX Approved Participants, and the main cause of the potential violation occurred in a marketplace supervised by IIROC, IIROC will be responsible for conducting investigations and enforcement. Finally, when a case involves one or more persons that are both IIROC Dealer Members and MX Approved Participants, and the main cause of the potential violation occurred on MX, MXR will be responsible for conducting investigations and enforcement. In cases where the person is both an IIROC Dealer Member and an MX Approved Participant, IIROC and MXR will coordinate their activities to confirm which entity should be responsible for conducting the investigation and enforcement.

We thank IIROC for considering our comments. We would be pleased to discuss any aspect of these comments at your convenience.

A handwritten signature in blue ink that reads "Martin Jannelle". The signature is written in a cursive, flowing style.

Martin Jannelle
Senior Legal Counsel
Bourse de Montréal Inc.