

Bourse de Montréal (MX) – Client and Order Identifiers

Summary of Key Changes to Reporting Requirements

Rule Overview

In March 2023 amendments were released to the rules of Bourse de Montreal regarding client and order identifiers which the Bourse has indicated they intend to implement on December 31, 2023. The main objective of these latest rule amendments is to improve market surveillance capabilities of the Bourse by improving the insight into trading behaviour of specific accounts through increased availability and transparency of trading data.

Current State vs Proposed Future State

Current State

Client information is disclosed on a post-trade basis, only when a gross open position held in any Listed Product is held above the prescribed reporting threshold. In these cases, the Participant must disclose the following beneficial account holder information no later than 9am ET the next business date:

1. Gross position information
2. Name and country code & state of the legal address
3. LEI, if applicable, or a unique internal identifier assigned by the Participant to determine the account beneficial owner

For Sponsored Access orders (i.e., orders transmitted electronically to the Bourse through the systems of the Participant), Participants are required to assign a client identifier which is to be used at order entry, but are not required to submit an LEI.

Illustration:

Consider a direct client makes positions on 3-month Canadian BA Futures (BAX) and Options on BAX (OBX) contracts on Sep 25, 2023:

Listed Product	Long Gross Positions	Short Gross Positions
BAXZ21	50 contracts	
BAXH22	50 contracts	100 contracts
OBX	100 contracts	100 contracts

The total gross open positions for BAX futures and options on BAX (OBX) for the account holder is 400 contracts, which exceeds the reporting level for BAX and OBX (300 contracts). So, all long and short positions held in this account for BAX and OBX must be reported to the Division by 9am ET on Sep 26, 2023 using the LOPR tool.

Future State With Proposed Requirements

Unique identifiers are assigned by the Participant for each of its direct clients (“Client Identifier”) and the clients of the direct clients that use algorithmic trading (“Unique Identifier”) which are to be submitted when each order and quote is entered into the MX.

In addition there will be 2 new fields added on order-entry to flag whether a trade is:

1. A sponsored access order
2. Algorithmic order (regarding both client and non-client orders)

Bulk orders are also to be flagged by specific values entered in the field where the Client Identifier is normally entered for single-account orders.

Participants are to report client information to the Bourse no later than 7pm ET on the business day a first order is transmitted to the MX on behalf of the direct client or controlling person:

3. Client Identifier
4. Country code of the legal address
5. LEI, if applicable, or direct client’s legal name

Lastly, Participants are to inform the Bourse when a sponsored access client ceases to be a client of the Participant.

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Client Identifiers & Unique Identifiers on Order/Quote Entry

Participants will be required to assign a unique identifier to each of its direct clients (“Client Identifier”) and the clients of the direct clients that use their own algorithm to automatically generate orders and quotes on a predetermined basis (“Unique Identifier”). These Client Identifiers and Unique Identifiers will need to be submitted for each order and quote entered into the MX in the Short Code field and Unique ID field, on the following basis:

Order Type	Scenario	Field 1: Short Code	Field 2: Unique ID
Orders for a single-account	Order for account of Participant	Blank	Blank
	Order for account of Participant’s direct client	Direct Client’s Client Identifier	Blank
	(i) Order for account of client of direct client of Participant and (ii) client of direct client submits orders using an algorithm not provided by direct client or Participant	Direct Client’s Client Identifier	Client of the Direct Client’s Unique Identifier
	Order for the account of another Participant (i.e., originating Participant)	Blank	Blank
	Order for account of direct client of originating Participant	Originating Participant’s Client Identifier	Blank
	Orders for sponsored access	Direct Client’s Client Identifier	Blank
Orders for more than one account (“Bulk Order”)	Order for at least one non-client and at least one client (“a Bundled Order”)	“1”	Blank
	Order for 2 or more clients that do not have a common parent entity (“Multiple Client Order”)	“4”	Blank
	Order is exclusively for clients that have a common parent entity	Common Parent Entity’s Client Identifier	Blank

Participants will not be required to assign a Client Identifier to any clients of their direct clients, unless its order is submitted using an algorithm not provided by either the direct client or the Participant. This requirement of assigning and inputting Client Identifiers on order and quote entry will not apply to (i) bulk quote messages, (ii) block trades, (iii) riskless basis cross-trades, and (iv) exchange of futures for related products.

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Reporting of Client Information and Identifying Order Types

Requirement to Report Client Information on the Business Date the First Order is Transmitted

Participants will be required to report the following client information on the Division’s Participant Portal no later than 7pm ET on the same business day the Client Identifier was first used on order entry.

		Information Required to be Reported on the Business Date First Order is Transmitted
Direct Clients that have Available LEIs		(i) Client Identifier, (ii) LEI, and (iii) country code of legal address
Direct Clients that <u>do not</u> have Available LEIs	Sponsored Access Clients	(i) Client Identifier, (ii) direct client’s legal name, and (iii) country code of legal address
	Non-Sponsored Access Clients	(i) Client Identifier, (ii) confirmation client does not have Available LEI and is not a sponsored access client

Participants are permitted to submit client information on a delta basis or a whole dump of its direct clients at any frequency and at any time.

In the event legal barriers prevent a Participant from reporting a direct client’s LEI to the division, the Participant will be required to keep records containing evidence of reasonable efforts by the Participant to obtain the direct client’s LEI which can be provided to the Bourse upon request.

Requirement to Identify Sponsored Access and Algorithmic Orders on Order Entry & Requirement for Corrections

The Bourse will implement 2 new fields to flag (“yes/true” or “no/false”) whether an order is:

- 1 **A sponsored access order**
(i.e., orders transmitted electronically to the Bourse through the systems of the Participant)
- 2 **Algorithmic order of both client and non-client orders**
(i.e., orders transmitted electronically using a computer algorithm by an automated order system that automatically determines the individual parameters of the order)

In the event any of the information submitted is determined to be inaccurate the Participant will be required to submit corrections on the Participant’s Portal. The requirement to provide corrections applies to (i) information submitted at order entry regarding Client Identifiers, Unique Identifiers, Bulk Orders, sponsored access orders, and algorithmic orders, and (ii) client information provided after first order is submitted.

Participants will also be required to inform the Bourse when a sponsored access client ceases to be a client.

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