



## **LARGE OPEN POSITION REPORTING - LOPR REGULATORY REQUIREMENTS GUIDE**

### **For Canadian and Foreign Approved Participants**

Regulatory Division  
Bourse de Montréal Inc.

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## **1 – LOPR**

The Regulatory Division of the Bourse (the Division), in collaboration with the Information Technology Solutions Department of the Bourse (the ITS Department), has developed and implemented an automatable and secure derivative instruments<sup>1</sup> positions reporting application known as LOPR (Large Open Position Report). This application aims to ensure confidentiality and security to the reporting process for large open positions in derivative instruments.

**Article 14102: Reports pertaining to the accumulation of Positions for Derivatives Instruments** ([http://m-x.ca/f\\_regles\\_en/14\\_en.pdf](http://m-x.ca/f_regles_en/14_en.pdf)) of the Rules of the Bourse describes the obligations of Canadian and foreign approved participants of the Bourse (approved participants) for reporting large open positions in derivative instruments listed on the Bourse.

The LOPR reporting tool will enable approved participants of the Bourse to electronically submit, on a daily basis, their clients' and proprietary accounts reportable open positions and account owner profiles directly to the Division.

This guide describes the various regulatory requirements which approved participants must comply with in order to satisfy the reporting requirements of the Bourse through the LOPR tool.

## **2 – LOPR ACCESS**

The LOPR tool will provide approved participants with two alternatives for submitting position data to the Division:

1. Graphical User Interface (GUI) client application; or
2. Direct communications using the SOLA<sup>®</sup> Access Information Language (SAIL) protocol.

### **2.1 – GRAPHICAL USER INTERFACE (GUI) CLIENT APPLICATION**

Approved participants who choose to submit their reportable open positions and account profiles using the GUI client application will be able to enter the data manually into the GUI and send it to the Bourse or, alternatively, export the data from their systems into an integrated delimited text file and send it to the Division via the GUI.

### **2.2 – DIRECT COMMUNICATIONS USING THE SAIL PROTOCOL**

Approved participants who are familiar with the SAIL protocol or those who wish to implement a messaging solution to submit their large open positions and account profiles will be able to communicate their position data to the Division by SAIL messaging through one of the existing Bourse's Points of Presence (POPs).

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<sup>1</sup> For the purpose of this document, the term "derivative instruments" means all options, futures contracts and futures contracts options that are listed and trading on the Bourse.

In order to facilitate access to LOPR and keep users abreast of the technical and regulatory requirements associated with this tool, the Regulatory Division website contains a LOPR section <http://reg.m-x.ca/en/lopr/> where approved participants and their IT support staff can find relevant circulars, technical notices and technical documents.

In addition, the Bourse's ITS Department offers support during business hours (Montreal time - ET). Support staff may be contacted by e-mail at [samsupport@m-x.ca](mailto:samsupport@m-x.ca).

The notices and technical documents found in the LOPR section of the Regulatory Division website are necessary for system installation and everyday LOPR use. More specifically, all LOPR related technical documents necessary for the certification, installation and operation of the LOPR tool may be found in the LOPR section of the Regulatory Division's website: [http://reg.m-x.ca/en/lopr/tech\\_documents](http://reg.m-x.ca/en/lopr/tech_documents)

Finally, in order to remain abreast of any regulatory news, approved participants are strongly invited to subscribe to the circulars of the Bourse at: [http://www.m-x.ca/profil\\_en.php](http://www.m-x.ca/profil_en.php). Alternatively they may subscribe to LOPR news and updates by sending a request by email to [lopr@mx.ca](mailto:lopr@mx.ca).

### **3 – LOPR REPORTING RESPONSIBILITY**

#### **3.1 – ACCOUNT TYPES**

As stipulated in the LOPR CSV Record Layout document available upon request in the LOPR technical documents section ([http://reg.m-x.ca/en/lopr/tech\\_documents](http://reg.m-x.ca/en/lopr/tech_documents)), one of the following account types must be accurately provided when submitting an account record:

- 1 = Client
- 2 = Firm
- 8 = Market Maker
- 3 = Omnibus
- 4 = Professional

What follows is a definition for each respective account types

<b>Account Type</b>	<b>Definition</b>
Client	Means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on behalf of his clients.
Firm	Means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on its own behalf.
Market Maker	Means an account established by an approved participant which is confined to exchange transactions executed by and positions carried by the approved participant on behalf of a market-maker.

Omnibus	Means an account held in the name of an entity or person which may be utilized for recording and clearing the trades of two or more undisclosed customers of the account holder.
Professional	Means an order for a security or a derivative instrument for an account in which a director, officer, partner, employee or agent of an Approved Participant or of a related firm of the Approved Participant, a person approved by the Bourse or a restricted trading permit holder has a direct or indirect interest, other than an interest in a commission charged. The Bourse may designate any order as being an order for the account of a professional if, in its opinion, circumstances justify it.

### 3.2 – ACCOUNT OWNER TYPES

As stipulated in the LOPR CSV Record Layout document available upon request in the LOPR technical documents section ([http://reg.m-x.ca/en/lopr/tech\\_documents](http://reg.m-x.ca/en/lopr/tech_documents)), one of the following account owner types must be accurately provided when submitting an account record:

<b>Account Owner Type</b>	<b>Definition</b>
Canadian Bank	A Schedule 'A' Bank or Credit Union.
Foreign Bank	A Schedule 'B' Bank or a bank based outside Canada.
Canadian Broker	A Broker based in Canada that is a member of IIROC.
Foreign Broker	A Broker based outside Canada.
Fund Manager	A professional who manages various securities and assets to meet his or her clients' specified investment goals (e.g., commodity pool operator, options advisor).
Pension Fund	Any plan, fund (including pension fund of government-owned corporation or State-owned enterprise), or program that provides retirement income to employees or that includes schemes that result in a deferral of income by employees.
Government and State Owned Companies	A Government Ministry or a legal entity created by a government to undertake commercial activities for an owner government.
Retail Client	Generally refers to individuals, families and small businesses.
Insurance Company	A company that provides insurance coverage to a person or entity that buys an insurance policy
Hedge Fund	An investment fund open to a limited number of investors, and that takes on investments that carry a higher degree of risk than the risk taken by traditional investment funds.
Mutual Funds	A professionally managed investment scheme that pools money from investors and that invests it in various investment securities.
CTA (Commodity Trading Advisor)	An asset manager or a firm that invests in the futures market.

Corporate	An entity that is engaged in a commercial activity (other than portfolio management and other than financial institutions, brokers, governments and government - owned corporations) that is granted a charter recognizing it as a separate legal entity which has its own rights, privileges, and liabilities and which are distinct from those of its shareholders.
Proprietary Trading Firms Primarily Algorithmic	A trading firm or a trader who trades primarily for his or her own account using a algorithmic trading tools.
Proprietary Trading Firms Local	A trading firm or a trader who trades primarily for his or her own account without using algorithmic trading tools or using them in a limited fashion.
Miscellaneous *	Refers to all other client types not mentioned above.
* The "Miscellaneous" AccountOwnerType should be used only in cases where none of the above mentioned AccountOwnerTypes can be applied to the concerned account.	

### 3.3 – POSITION SUBMISSION TIME

With the LOPR tool, approved participants will be required to submit their reports on positions for the Bourse’s listed derivative instruments on a daily basis. Even if, for a given date, an approved participant does not hold any positions or if an approved participant does not hold positions that exceed the reporting thresholds of the concerned derivative instruments as prescribed by the Bourse, the approved participant shall submit through the LOPR tool a message confirming that there are no reportable positions for the date in question. The positions of the end of a given trading day or, as the case may be, any message confirming that there are no positions to report must be submitted to the Division no later than 9:00 a.m. (Eastern Time Zone - ET) on the next business day.

Reports pertaining to the accumulation of positions for derivative instruments must be submitted exclusively within the prescribed reporting hours below:

- Weekdays: Monday to Friday from 01:00:00 a.m. (ET) to 10:00:00 p.m. (ET)
- Weekends: Only on Sunday from 10:00:00 a.m. (ET) to 10:00:00 p.m. (ET)

Example: The position report for July 25, which must include all open positions as of the close of the trading session for that day may be submitted either on July 25 before 10:00:00 p.m. (ET) or on July 26 between 1:00:00 a.m. and 9:00:00 a.m. (ET).

It is important to note that the report date which will appear by default on the GUI is that of the current day. Therefore, users must take particular care in order to ensure that this "report date" accurately reflects the end of the trading day's date for which the position reports have been compiled.

In case of non-submission of positions, the approved participant must send an email to [LOPR@m-x.ca](mailto:LOPR@m-x.ca) and [Position@m-x.ca](mailto:Position@m-x.ca) to let us know the reason for non-submission. The approved participant must also submit the details using the form LOPR supervision (Gatekeeper) available at the following address <http://reg.m-x.ca/en/gatekeeper/login> and that, immediately and without delay. To log in, the ID and password that were assigned to the Chief Compliance Officer of the approved participant are required.

### 3.4 – FAILURE TO SUBMIT OR ERRONEOUS SUBMISSIONS PENALTIES

Failure by an approved participant to submit positions report in a timely manner or erroneous submissions may result in the imposition of disciplinary sanctions. It is therefore very important that approved participants ensure that their position reports are submitted in time and that they are accurate.

Article **4002 - Notice of Non-Compliance** ([http://www.m-x.ca/f\\_regles\\_en/04\\_en.pdf](http://www.m-x.ca/f_regles_en/04_en.pdf)) provides that approved participants who fail to meet their obligations must give an immediate written notice to the Division of such failure. Failing to report positions as required by the Rules of the Bourse or reporting inaccurate or erroneous information must be considered as a failure to meet regulatory obligations and such situations should therefore be reported immediately to the Division through the Gatekeeper form found on the Division's website (<http://reg.m-x.ca/en/gatekeeper/login>). The report should state the reasons for the non-compliance and provide the accurate data.

### 3.5 – LOPR EXEMPTIONS AND DELEGATIONS

According to the Rules of the Bourse, the responsibility of reporting open positions rests upon each approved participant. Positions must be reported on a fully disclosed basis. Exemptions may be granted under specific conditions and it is permitted, upon certain conditions, to delegate the reporting task to a third party such as, for example, a carrying or clearing broker or to a service provider.

**A) A LOPR Exemption** may be granted if an approved participant has not traded in the last calendar year and does not intend or plan to trade in the near future derivative instruments listed on the Bourse.

Such an exemption will relieve the inactive approved participant from the obligation of submitting a "no reportable positions" report on a daily basis. The exemption request must be in writing and must confirm that the applicant has been inactive on the Bourse's market during the last calendar year and that it does not have any intention of trading any of the Bourse's listed products in the near future.

Exemption requests must be sent to [LOPR@m-x.ca](mailto:LOPR@m-x.ca) and will be processed by the Division.

**B) A LOPR Delegation** of the reporting task may be granted to approved participants who wish to delegate this task to a third party (e.g.: carrying or clearing broker, another approved participant or Independent Service Vendor (ISV)). Such a delegation may be granted only if the delegatee is able to report accounts on a fully disclosed basis. The delegation request must be in writing and must confirm that reportable accounts will be fully disclosed (no undisclosed customer omnibus accounts in the name of the approved participant will be accepted) and must identify the third party delegatee and include a written confirmation from the delegatee that he agrees to undertake the LOPR reporting task on behalf of the applicant. Delegation requests must be sent to [LOPR@m-x.ca](mailto:LOPR@m-x.ca) and will be processed by the Division.

The third party delegate will need to establish connectivity on behalf of the approved participant. Upon connection, the delegate will then have to request a UserID and password that belong to the delegating approved participant. Any positions reported by the delegate on behalf of the delegating approved participant shall be reported using that UserID and password. (Note: UserIDs and passwords will not be provided to approved participants that are delegating the task to a third party



but to the delegate. Also, approved participants who delegate reporting will not have access to LOPR production environment.)

Delegates who will report on behalf of one or many approved participants shall do so on a per approved participant basis. A third party delegate must therefore obtain different UserIDs and passwords for each approved participant on whose behalf it reports positions. Additionally, it is important to mention that the delegation of the LOPR reporting task does not relieve the approved participant choosing to delegate this task to a third party from its responsibility to ensure that position reports filed on its behalf are filed in a timely manner and that they are accurate and complete. Approved participants who choose to delegate should therefore put in place process and procedures to ensure that they receive copies of the reports that are filed on their behalf and to ensure that the information contained in these reports is complete and accurate.

All LOPR exemptions and delegations discussed in sections A) and B) above will remain valid as long as all the conditions related to such exemptions or permissions to delegate are complied with.

#### **4 – ACCOUNT OWNER IDENTIFICATION REQUIREMENTS**

The following section addresses the regulatory requirements associated with the identification of account owners and ownership aggregation.

##### **4.1 – ACCOUNT OWNERSHIP**

For the purposes of LOPR, the account ownership and name of the account owner must be determined by applying the following subsequent steps:

- A)** Person or entity with more than 50% ownership interest in the account;
- B)** Name of the account (e.g. Mr. and Mrs. Smith, ABC Investment club).

It is the approved participants' responsibility to determine account ownership based on the information that has been or can be provided by the account owner(s). In case of doubt, approved participants should not hesitate to communicate with the Division for assistance in determining whether or not accounts should be considered as having the same owner(s).

Please note that the LOPR Account Owner "Name" field can accommodate up to 25 characters. If the full account owner name exceeds 25 characters, use abbreviations which best describe the entity. In case of doubt, approved participants should not hesitate to communicate with the Division for more guidance.

##### **4.2 – ACCOUNT OWNER ID**

The Account Owner ID field will help the Division in assigning a unique identifier to an account beneficial owner in order to aggregate positions through different account numbers across all approved participants for each such account owner.

The following guidelines are to be used when populating the Account Owner ID field for LOPR with possible escalation when there is a legitimate unavailability<sup>2</sup> of the required information:

**A)** For an account in the name of an individual or of a registered or corporate entity owned exclusively by this individual:

**1)** Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm;

If, and only if, the above identifier is unavailable, approved participants will be allowed to use the following identifier:

**2)** Account owner’s last name.

The Division will not prescribe any specific format for such unique identifier. Therefore, approved participants can design an identifier format that represents for them the most practical and adequate solution. It is important that the identifier, used for each particular account owner, be unique so that there is assurance that different account owners do not have the same identifier.

Example 1: John Doe has the following accounts with an approved participant:

<b>John Doe Account Types</b>	<b>Account #</b>	<b>Internal unique identifier used by approved participant to link accounts belonging to the same individual</b>
RRSP	123456	ABC123
CDN Margin	789101	ABC123
TFSA	121314	ABC123
JD Corp* (Personal Holding Corporation)	875149	ABC123

\*Client has a beneficial ownership interest in excess of 50% in the account

Each approved participant will be responsible for providing this “unique internal identifier” that will link accounts belonging to the same individual within the firm. This “unique internal identifier” must remain permanent for the lifetime of all of the related accounts.

**B)** For an account belonging to multiple individuals (partnerships, joint accounts, investment clubs, registered entities other than corporations, etc.):

**1)** If one of the account owners holds an ownership interest of more than 50% in the account, then use the succession of identifiers found in A) above related to this account owner.

**2)** For all other circumstances, populate field with the account name (e.g. Mr. & Mrs. Smith, ABC Investment club etc.). Please note that the Account Owner ID field can accommodate up to 24 characters. Should the full account name exceed 24 characters, create an acronym from the entity’s legal name. (Do not hesitate to contact the Division for guidance on this matter).

<sup>2</sup> For the purpose of this document, information is considered to be “unavailable” only if it cannot be created or obtained in any format, in any record available to the approved participant.

**C)** For an account belonging to a corporation that is 100% owned by an individual, see A above.

**D)** For all other corporate configurations the following is to be observed:

**1)** If the corporation is more than 50% owned by an individual, use the succession of identifiers found in A) above related to this account owner;

**2)** If the corporation is more than 50% owned by another corporation, use the following succession of steps to determine the account owner Id:

**I)** The CICI/LEI<sup>3</sup> code belonging to the controlling corporation. The CICI code can be obtained or created by accessing the web portal at <https://www.ciciutility.org/> .

**II)** The incorporation number of the controlling corporation

**3)** For other cases, use the following succession of steps to determine the account owner Id:

**I)** The CICI/LEI code belonging to the corporation in whose name the account is opened. The CICI code can be obtained or created by accessing the web portal at <https://www.ciciutility.org/> .

**II)** The incorporation number of the corporation in whose name the account is opened.

If, and only if, the above identifiers are not available, approved participants will be allowed to use one of the following identifiers:

**1)** Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm; or

**2)** Account owner corporate legal name. Please note that the Account Owner ID field can accommodate up to 24 characters. If the full account owner corporate legal name exceeds 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Division for guidance).

**E)** For any account not covered in sections A), B), C) or D)

**1)** Registration number (e.g.: charitable organization);

**2)** Internal identifier used by the approved participant to link accounts belonging to the same beneficial account owner within the firm;

**3)** Account owner legal name. Please note that the Account Owner ID field can accommodate up to 24 characters. If the full account owner legal name exceeds 24 characters, create an acronym from the legal name. (Do not hesitate to contact the Division for guidance).

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<sup>3</sup> See Appendix 1

## **5 – REPORTING REQUIREMENTS**

### **5.1 – POSITIONS CALCULATION**

To determine if an account holds a number of open positions in derivative instruments listed on the Bourse that is equal to or greater than the prescribed reporting threshold, approved participants must take in consideration the **gross** open positions held in each class of derivative instrument by this account owner, not the net positions.

This means that if an account owner simultaneously holds long and short positions in a particular derivative instrument, these positions **must not** be netted together to determine if the reporting threshold has been reached or exceeded but must rather be added together.

In addition, for the purpose of such determination, all the expiries of a given derivative instrument must be combined. For options on futures contracts as well as other options, all options having a different strike price must also be combined. It is also important to mention that if an account simultaneously holds positions in futures contracts and positions in options on such futures contracts, all open positions in both types of derivative instruments must be combined.

If it appears, following such a determination, that the reporting threshold has been reached or exceeded, approved participants must then transmit to the Division, in the manner prescribed by the Division, the detail of all **gross** open positions, i.e. the information provided must allow the Division to know about all long and short open positions for each expiry and, in the case of options on futures contracts and other options, for each strike price.

**No netting of long (short) positions against short (long) positions must be made for the purposes of the report that must be transmitted to the Division.**

The following is an example of combined gross open positions that should be declared to the Division:

<b>Account holder "A" positions</b>		
Instrument	Long	Short
BAX Jun 10	50 ctr.	
BAX Sep 10	50 ctr.	100 ctr.
OBX Jun 95,50 Put	100 ctr.	
OBX Sep 95,25 Call		100 ctr.

**Total gross open positions for the BAX futures contract and the option on this future contract (OBX) for account holder "A": 400 contracts**

Since the total gross open position exceeds the reporting level for these derivative instruments (300 contracts), all long and short positions held by this account in this category of derivative instruments must be reported to the Division.

## 5.2 – POSITIONS CALCULATION – MULTIPLE ACCOUNTS

If an account owner holds or controls more than one account as a beneficial owner, the determination of the reporting threshold must be made by taking in consideration all open positions held in all the accounts owned or controlled by this account owner. For example, if a client has a beneficial ownership interest exceeding 50% not only in an account opened under his own name but also in other accounts opened in the name of other physical or moral persons, the determination of whether or not the reporting threshold has been reached or exceeded must be made by taking in consideration all gross open positions held by all of the related accounts as a whole.

If it appears that on a combined basis the total number of gross positions held by all of the related accounts equals or is greater than the reporting threshold, all positions held by each of the related accounts must be reported and this regardless of the fact that one or many of them hold an open position that is lesser than the reporting threshold.

## 5.3 – APPROVED PARTICIPANTS ACCOUNTS (FIRM ACCOUNTS)

Approved participants holding open positions for their own account in any derivative instrument listed on the Bourse must report these positions to the Division by applying the same principles as those explained above.

## 5.4 – REPORTING THRESHOLDS

As a reminder, here are the reporting thresholds for the futures contracts and options on futures contracts that are currently listed for trading on the Bourse.

<b>FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS</b>	<b>REPORTING THRESHOLDS</b>
BAX/OBX <sup>1</sup> - Three-month Canadian Bankers' Acceptance	300 ctr.
LGB - Thirty-year Government of Canada Bonds	250 ctr.
CGB/OGB <sup>1</sup> - Ten-year Government of Canada Bonds	250 ctr.
CGF – Five-year Government of Canada Bonds	250 ctr.
CGZ - Two-year Government of Canada Bonds	250 ctr.
SXF - S&P/TSX 60 Index	1,000 ctr.
SCF – S&P/TSX Composite Index (mini contract)	1,000 ctr.
SXM - S&P/TSX 60 Mini Future Index	1,000 ctr.
ONX – 30-Day Overnight Repo Rate	300 ctr.
OIS – Overnight Index Swap Futures	300 ctr.
SXA-SXB-SXH-SXY – S&P/TSX Capped Sectorial Indices	500 ctr.

1. To determine if the reporting limit has been reached, positions in options on futures contracts must be aggregated with the underlying futures contract positions. For aggregation purposes, one option contract is equivalent to one futures contract.

<b>STOCK, TRUST UNITS, EXCHANGE TRADED FUNDS, INDEX AND CURRENCY OPTIONS</b>	<b>REPORTING THRESHOLDS</b>
Stock Options	250 ctr.
Trust Units Options	250 ctr.
Exchange Traded Funds Options	500 ctr.
Index Options (SXO)	15,000 ctr.
Currency Options	500 ctr.

## **5.5 – POSITIONS BELOW THE REPORTING THRESHOLDS**

The Division reminds approved participants that they should not submit positions reports, for options as well as for futures contracts and options on futures contracts, when positions held in all the accounts of a same owner are, for a specific derivative instrument, below the reporting thresholds set by the Bourse.

## **5.6 – POSITIONS AGGREGATION**

In order to determine if the reporting threshold is attained, approved participants must aggregate positions belonging to the same beneficial Account Owner as previously defined in sections 5.1 and 5.2 above.

The following guidelines are to be used when aggregating by beneficial Account Owner for LOPR:

- A)** Aggregate positions for all accounts in the name of an individual and for all registered or corporate entities owned exclusively by that single individual;
- B)** For accounts belonging to multiple individuals (partnerships, joint accounts, investment clubs, registered entities other than corporations, etc), aggregate positions to the account owner who holds an ownership interest of more than 50% in the account;
- C)** For accounts belonging to a corporation, other than 100% owned by one individual, or any other entity, aggregation of positions shall be done by beneficial ownership of the account.

In all cases, aggregation of positions shall be done by beneficial account owner as determined by the approved participant and/or its clients and/or its account owners directly. Accounts traded by registered persons pursuant to some discretionary trading authorization such as managed accounts and discretionary (carte blanche) accounts must not be aggregated except for those accounts that have a common beneficial owner.

Once it has been determined that the reporting threshold has been attained for a beneficial account owner after aggregating all positions held in his accounts, each of these accounts containing positions must be reported separately in LOPR.

Example: Same account owner (Mr. X) may have multiple accounts

RRSP: Long 50 CALL BB @ 50 JUN 11

TFSA: Long 200 PUT BB @ 52 SEP 11

Margin CDN: Long 50 CALL BB @ 60 JAN 12

Although the accounts taken individually do not meet the reporting threshold, once aggregated by account owner (Mr. X) the cumulative open position exceeds the reporting threshold (300 total open contracts on the same underlying). Therefore, each of the three accounts above must be reported and this in a separate manner.

## **5.7 – DOUBLE REPORTING**

### **Scenarios that may result in double reporting:**

#### **1. Approved participant of the Bourse having its positions cleared by another approved participant of the Bourse who is a CDCC member:**

This scenario involves a situation where an approved participant (including a foreign approved participant) executes transactions and subsequently has them cleared by another approved participant which is a CDCC member. This particular setup, which involves an approved participant (executing participant) detaining an account with another approved participant who is a CDCC member may cause the latter to report the executing approved participant's positions with those of its other clients when completing its daily LOPR submission. As indicated in previous circulars issued by the Bourse<sup>4</sup> and in the LOPR Regulatory Requirements Guide published by the Division on February 20, 2013<sup>5</sup>, the Bourse, following the implementation of the compulsory use of the LOPR tool and of the related regulatory amendments on April 1, 2013, no longer accepts that undisclosed customer omnibus accounts be reported by approved participants acting as clearing brokers when such accounts are maintained in the name of another approved participant (including a foreign approved participant). However, these clearing approved participants are still required to report positions held in undisclosed omnibus accounts that are maintained for entities that are not approved participants of the Bourse.

The requirements of the Bourse provide that all approved participants (including foreign approved participants) that are using a clearing broker to clear their transactions must report themselves positions held for their clients or for their own account. Furthermore, delegation of the reporting task is not permitted if the delegatee is unable to report positions on a fully disclosed basis (i.e. being able to identify each and every client holding positions and reporting each of these clients individually when they hold positions in excess of the prescribed reporting thresholds).

- a. What does the executing approved participant have to consider:** Approved participants (including foreign approved participants) must ensure that their positions held with other approved participants (including foreign approved participants) are not being double reported. For example, an approved participant records positions in his books and these positions are held by another approved participant in its capacity of clearing broker or carrying broker, If the approved participant reports the positions that are recorded in his books, he must make sure that the other approved participant who acts as his clearing/carrying broker does not also report these same positions otherwise this will result in the same positions being reported twice.

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<sup>4</sup> See circulars No. 020-2011 issued on January 20, 2011 ([http://www.m-x.ca/f\\_circulaires\\_en/020-11\\_en.pdf](http://www.m-x.ca/f_circulaires_en/020-11_en.pdf)) and 074-2011 issued on May 5, 2011 ([http://www.m-x.ca/f\\_circulaires\\_en/074-11\\_en.pdf](http://www.m-x.ca/f_circulaires_en/074-11_en.pdf))

<sup>5</sup> See [http://reg.m-x.ca/f\\_techdocs\\_en/lopr\\_regulatory\\_requirements\\_guide\\_v10\\_en.pdf](http://reg.m-x.ca/f_techdocs_en/lopr_regulatory_requirements_guide_v10_en.pdf).

**b. What does the clearing approved participant have to consider:**

Approved participants that undertake to clear and carry positions for other approved participants (including foreign approved participants) must ensure that if they are reporting the positions of this other approved participant, then this one should not be reporting these same positions. Here again, if both parties report these positions, double reporting will occur.

To determine if an entity is an approved participant of the Bourse, please refer to the list of all approved participants of the Bourse available on the website of the Bourse at the following address: [http://www.m-x.ca/connect\\_participants\\_en.php](http://www.m-x.ca/connect_participants_en.php) .

It is important that all approved participants adopt effective communication and coordination procedures when they are using the services of another approved participant to clear and/or carry positions on their behalf in order to ensure that there is no double reporting of a given position.

2. **Approved participant of the Bourse (including a foreign approved participant) routing orders through a broker who is not an approved participant of the Bourse and having its transactions cleared by another approved participant of the Bourse who is a CDCC Member:**

This scenario involves a situation where an approved participant (including a foreign approved participant) is a client of a broker who is not an approved participant, this one executing the approved participant's transactions and having them cleared through an omnibus account held with another approved participant who is a CDCC member. In this situation the first approved participant runs the risk of having its positions reported twice as the clearing approved participant does not have the details regarding the beneficial owners of the positions held in the broker's (who is not an approved participant of the Bourse) undisclosed omnibus accounts. Therefore, the clearing approved participant must ensure that the identity of the clients for whom positions are held in such omnibus account will be provided to the Bourse either by the clearing approved participant itself or by the broker or other entity on behalf of whom the omnibus account was opened, if the Bourse requests this information.

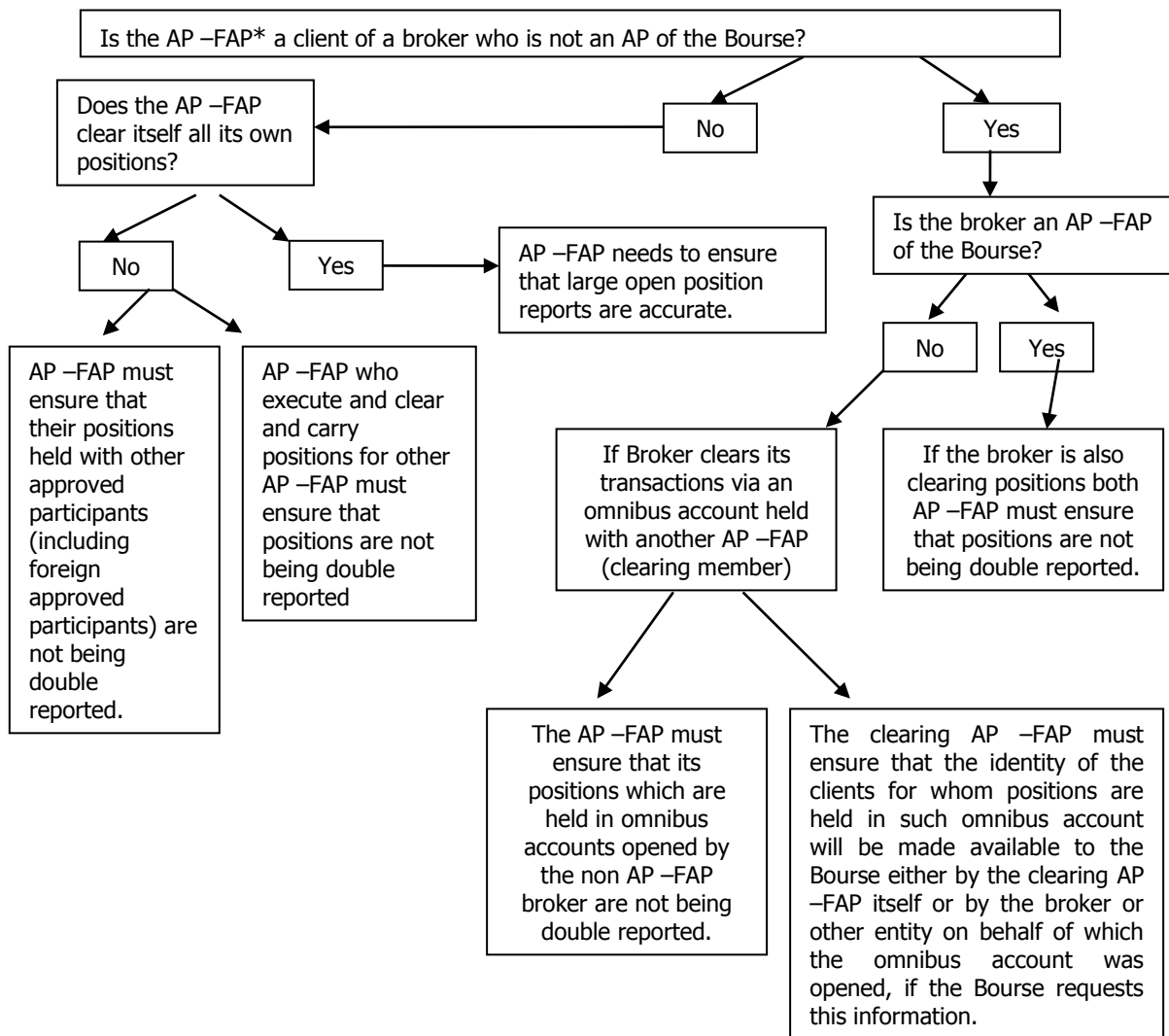
**a. What does the approved participant have to consider:**

The approved participant (including a foreign approved participant) must ensure that its positions which are held in omnibus accounts opened by non approved participants are not being double reported.

**b. What does the clearing approved participant have to consider:**

Although clearing approved participants are still required to report positions held in omnibus accounts that are maintained for entities that are not approved participants of the Bourse, they must ensure that these omnibus accounts do not include positions of approved participants (including foreign approved participants).





\* AP -FAP: Approved Participant including Foreign Approved Participant

It is imperative that approved participants (including foreign approved participants), other brokers that are not approved participants of the Bourse and approved participants acting as clearing/carrying brokers communicate with one another in order to ensure that positions are not being double reported and that they are reported in their entirety.

## **6 – LOPR CONTACTS**

For support, questions and issues of a technical nature, approved participants are invited to contact the Bourse’s Technical Help Desk by email at [samsupport@m-x.ca](mailto:samsupport@m-x.ca) or by phone at 1-877-588-8489.

For questions and issues of a regulatory nature, approved participants must contact the Bourse’s Regulatory Division: [LOPR@m-x.ca](mailto:LOPR@m-x.ca).

## **APPENDIX 1 – Legal Entity Identifier Project**

The Legal Entity Identifier (LEI) program is a global project, headed by the Financial Stability Board (FSB), designed to create and apply a single, universal standardized identifier to any organization or firm involved in a financial transaction. Such an identifier for each legal entity will allow regulators to conduct more accurate analysis of systemically important financial institutions and corporations and their transactions with all counterparties across markets, products and regions.

### **Interim identifier Launch**

The U.S. Commodity Futures Trading Commission (the CFTC) announced plans in early 2012 to designate a CFTC Interim Compliant Identifier utility (CICI) that would be able to issue identifiers to entities involved in derivatives trading and would ultimately fully comply with the global framework for a Legal Entity Identifier (LEI) as prescribed by the FSB and the G20.

Following a competitive proposal process, the CFTC released, on July 24, 2012, an Order designating The Depository Trust & Clearing Corporation (DTCC) and SWIFT as the providers of identifiers for swap data reporting purposes. The utility is designed to be fully compliant with the ISO 17442 LEI standard endorsed and recommended by the FSB. Although the first phase of the program targets OTC derivative instruments with a March 1, 2013 planned implementation date, it is the intent of the program sponsors and regulators to extend it as quickly as possible to exchange-traded instruments such as futures contracts and options.

### **CICI Utility Portal Launch**

As a result of this designation, DTCC and SWIFT announced, on August 21, 2012, that they had launched a Web portal at <http://www.ciciutility.org/> to begin assigning CICIs.

For more information, please see:

[http://www.dtcc.com/news/press/releases/2012/cftc\\_interim\\_compliant\\_identifier\\_utility.php](http://www.dtcc.com/news/press/releases/2012/cftc_interim_compliant_identifier_utility.php)  
[http://www.dtcc.com/downloads/news/CiCi\\_Report.pdf](http://www.dtcc.com/downloads/news/CiCi_Report.pdf)

At the moment, the portal already contains approximately 50,000 validated entity records that have been assigned CICIs that align with the ISO 17442 standard. It is also to be mentioned that the CICI portal allows entities to either self-register in the database or to be registered by a third-party (e.g.: a broker/dealer can register its clients). This registering facility has permitted to double the number of registered entities since the CICI website has been launched in August 2012 and it is expected that the number of registered entities will continue to grow rapidly in the coming months.

For more information regarding the creation and implementation of the Legal Entity Identifier (LEI) and CFTC Interim Compliant Identifiers (CICIs) programs please consult the following links:

<http://www.cftc.gov/PressRoom/PressReleases/pr6310-12>  
<http://www.dtcc.com/products/dataservices/lei.php>