

7.3

Réglementation des bourses, des
chambres de compensation, des OAR et
d'autres entités réglementées

7.3. RÉGLEMENTATION DES BOURSES, DES CHAMBRES DE COMPENSATION, DES OAR ET D'AUTRES ENTITÉS RÉGLEMENTÉES

7.3.1 Consultation

RTX Fintech & Research LLC – Demande de dispense de reconnaissance à titre de bourse et des obligations des Règlements 21-101, 23-101 et 23-103.

L'Autorité des marchés financiers (l'« Autorité ») publie la demande de dispense (i) de reconnaissance à titre de bourse en vertu de la *Loi sur les instruments dérivés*, RLRQ, c. I-14.01 et (ii) des obligations prévues au *Règlement 21-101 sur le fonctionnement du marché*, RLRQ, c. V-1.1, r. 5, au *Règlement 23-101 sur les règles de négociation*, RLRQ, c. V-1.1, r. 6 et au *Règlement 23-103 sur la négociation électronique et l'accès électronique direct aux marchés*, RLRQ, c. V-1.1, r. 7.1, déposée par RTX Fintech & Research LLC.

(Le texte est reproduit ci-après.)

Commentaires

Toute personne désirant soumettre des commentaires est invitée à les faire parvenir par écrit, au plus tard le 19 juin 2023 à :

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RTX FINTECH & RESEARCH LLC
APPLICATION FOR
EXEMPTION FROM RECOGNITION AS AN EXCHANGE

May 18, 2023

Autorité des marchés financiers
 800 Square Victoria, 22nd Floor
 C.P. 246, Tour de la Bourse
 Montréal, Quebec
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Re: RTX Fintech & Research LLC's Application for Exemption from Recognition as an Exchange

Dear Sirs and Mesdames:

RTX FINTECH & RESEARCH LLC, a limited liability company organized under the laws of Delaware (the "**Applicant**" or "**RTX SEF**"), is requesting an order for the following relief (collectively, the "**Requested Relief**") relating to the operation by RTX SEF of a marketplace for trading swaps—which is regulated by the United States Commodity Futures Trading Commission ("**CFTC**") under the terms of the U.S. Commodity Exchange Act ("**CEA**")—in the Province of Quebec:

1. exempting the Applicant from the requirement to be recognized as an exchange under section 12 of the *Derivatives Act* (Quebec) (the "Act") pursuant to section 86 of the Act;
2. exempting the Applicant from the requirements in Regulation 21-101 *Respecting Marketplace Operation* pursuant to section 86 of the Act and section 15.1 of Regulation 21-101;
3. exempting the Applicant from the requirements in Regulation 23-101 *Respecting Trading Rules* pursuant to section 86 of the Act and section 12.1 of Regulation 23-101; and
4. exempting the Applicant from the requirements in Regulation 23-103 *Respecting Electronic Trading and Direct Electronic Access to Marketplaces* pursuant to section 86 of the Act and section 10 of Regulation 23-103.

The Applicant's platform will offer trading in interest-rate swaps, which are regulated as *swaps* by the CFTC.

The Applicant will enable sophisticated persons—each of whom must be an Eligible Contract Participant ("**ECP**") as defined in the CEA (each a "**Participant**")—to access the Applicant's platform directly to trade and execute interest-rate swaps on their own behalf.

In addition, the Applicant intends to provide direct access to trading on its platform to participants located in Quebec, including participants with their headquarters or legal address in Quebec (e.g., as indicated by a participant's Legal Entity Identifier ("**LEI**")), and all traders conducting transactions on behalf a participant regardless of the trader's physical location (inclusive of non-Quebec branches of Quebec legal entities), as well as any trader

physically located in Quebec who conducts transactions on behalf of any other entity. The Applicant does not offer access to retail clients.

The Applicant has no physical presence and does not otherwise carry on business in Quebec except as described herein. The Applicant seeks the Requested Relief on the basis that it is already subject to regulatory oversight by the CFTC.

The recognition requirements (of the CFTC) to be met by the swap execution facility (“SEF”) that the Applicant will operate are stringent and do take into consideration elements such as governance, fees, fair and equitable access, regulation, market operations as well as systems and technology, as prescribed by the AMF.

Furthermore, the Applicant confirms that it has the power to fully cooperate with the AMF and self-regulatory organizations in the Province of Quebec, and to provide information and documents with respect to its operations that could be reasonably requested by the AMF.

Based on the foregoing, the Applicant seeks an exemption from the requirement of section 12 of the Act, allowing it to carry on derivatives activities in the Province of Quebec without being recognized by the AMF as an exchange or otherwise. The Applicant believes this exemption would not be detrimental to the protection of investors in the Province of Quebec and would contribute to the trading of derivatives in Quebec being more efficient.

The Applicant submits to the AMF that the application of Regulation 21-101, Regulation 23-101, and Regulation 23-103 regarding marketplace operation, trading rules, and electronic trading and direct electronic access to marketplaces to the Applicant would result in duplication of the CFTC regulatory framework and hereby seeks an exemption from Regulation 21-101, Regulation 23-101, and Regulation 23-103.

The AMF Policy Statement respecting the Authorization of Foreign-Based Exchanges (Policy Statement) outlines the AMF’s approach to and interpretation of regulatory provisions regarding applications for authorization from foreign-based exchanges that are already recognized or authorized in their home jurisdiction. The Policy Statement sets out the information that the AMF expects to receive in support of such applications. This Application contains such information.

This application is divided into the following Parts I to V, Part III of which describes how the Applicant satisfies criteria for exemption of a foreign exchange that allows customers to trade interest-rate swaps (i.e., OTC derivatives) from recognition as an exchange.

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INTRODUCTION

PART I. INTRODUCTION

1. Description of the Applicant's Services to Quebec Participants

Applicant operates a SEF, which is an exchange for trading swaps regulated by the CFTC. Applicant's platform offers trading in interest-rate swaps, which the CFTC regulates as *swaps*, subject to obtaining any required regulatory approvals, Applicant may offer additional products for trading in the future. Applicant's platform enables participants to trade using the trading methodologies described in Part 5 of the Applicant's rulebook, available online at <https://www.rtxfintech.com/regulatory>. As explained in the rulebook, all the products allowed to be traded on the platform are interest-rate swaps that are either "Permitted Transactions" (as the term is defined in the CFTC's regulations under the CEA) or "Required Transactions" (as the term is defined in the CFTC's regulations under the CEA). As set forth in Parts 6 and 7 of the Applicant's rulebook, the platform offers participants the following two execution methods for products:

- **Electronic Order Book.** Part 1 of the rulebook defines the platform's "Electronic Order Book" as "all open Orders entered into the Trading System—except those entered into the Voice Order Book—displayed electronically. This is an order book that is separate from the Voice Order Book." Elsewhere, in rule 602(a) of the rulebook, it adds that in the Electronic Order Book "all Orders are managed based upon price/time priority, which means A) an Order with a better price (highest Bid, cheapest Offer) has execution priority over an Order with an inferior price (not highest Bid, not cheapest Offer) and B) for two Orders with the same price and same direction, the Order that is entered into the EOB first will be matched first against an aggressing opposing Order."
- **Voice Order Book.** Part 1 of the rulebook defines the "Voice Order Book" as "a Trading Facility that provides a non-automated method for trading facilitated by an Execution Specialist who enables multiple participants to enter Bids or Offers to multiple participants through the use of telephone, electronic messaging, or other communication devices." And rule 702 adds that in the Voice Order Book "all Orders are managed based upon price/time priority, which means A) an Order with a better price (highest Bid, cheapest Offer) has execution priority over an Order with an inferior price (not highest Bid, not cheapest Offer) and B) for two Orders with the same price and direction, the Order that is entered into the VOB first will be matched first against an aggressing opposing Order." In addition, rule 702 says the following about voice trading systems: "A Voice Trading System is a Trading Facility, as defined by section 1a(51) of the Act, that uses Voice Functionality that enables multiple participants to offer Bids or Offers that are open to multiple participants through the use of telephone, electronic messaging or other Approved Communication Methods. Voice Trading is facilitated by an Execution Specialist who makes known to Participants the existence of trading interest in a Swap, facilitates the communication of Bids or Offers among multiple Participants, and assists in orderly trading on the RTX SEF."

The Applicant will offer direct access to trading on its platform to participants that are located in Quebec and that (1) satisfy criteria for an "eligible contract participant" as defined in Section 1a(18) of the CEA and as further described in Part III below; and (2) satisfy the criteria for an "accredited counterparty" under the Act. Quebec Participants may include Canadian financial institutions, registered dealers and advisors, government entities, pension funds, and other well-capitalized, non-regulated entities.

INTRODUCTION

The Applicant has no physical presence in Quebec and does not otherwise carry on business in Quebec except as described herein.

BACKGROUND OF THE APPLICANT**PART II. BACKGROUND OF THE APPLICANT****1. Ownership of the Applicant**

The Applicant is a limited liability company organized under the laws of Delaware. The ultimate parent company of the Applicant is RTX Holdings, Inc, organized under the laws of Delaware (“**RTX Holdings**”).

The Applicant is a swap execution facility on which interest-rate products will be executed. As such, the Applicant is regulated in the United States by the CFTC in accordance with U.S. federal law—and specifically, with section 5h of the CEA and the regulations promulgated by the CFTC, particularly Part 37 to the CFTC’s regulations.

The Applicant received its SEF license from the CFTC on April 21, 2023.

2. Products Traded on the Applicant’s Swap Execution Facility

The Applicant will provide its customers with trading and execution services for interest-rate swaps. Additional details describing the products traded on the Applicant’s platform will be posted on Applicant’s website at <https://www.rtxfintech.com>.

3. Participants

The Applicant’s platform will enable participants to access it directly to:

- Post an open order or accept an open order for a contract using the Electronic Order Book; or
- Obtain the assistance of a platform employee (“Execution Specialist”) to post an open order or accept an open order for a contract in the Voice Order Book.

To become a participant on the Applicant’s platform, a person must satisfy the eligibility criteria and the application procedures in Part 3 of the RTX SEF Rulebook. The eligibility requirements are in Rule 302 of the RTX SEF Rulebook, and the application procedures that a person must follow to apply for “Trading Privileges” are in Rule 303.

Participants will include a wide range of sophisticated persons, including commercial and investment banks, and other institutional customers. Each person that wishes to trade directly on the RTX SEF Platform as a participant must qualify as an ECP.

The criteria for becoming a participant on the Applicant’s platform is described more fully below in § 4.1. (“Fair Access”) to Part III. (“Application of Exemption Criteria to the Applicant”).

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

PART III. APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

The following is a discussion of how the Applicant meets the criteria for exemption of a foreign exchange, which allows participants to trade OTC derivatives, from recognition as an exchange.

1. Regulation of the Exchange

1.1. Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (**Foreign Regulator**).

The Applicant is registered with the CFTC to operate a swap execution facility in the U.S. in accordance with U.S. federal law—and specifically, with section 5h of the CEA and the regulations promulgated by the CFTC, particularly Part 37 to the CFTC's regulations. The Applicant is subject to regulatory supervision by the CFTC. The Applicant is obligated to give the CFTC access to all records, unless providing such access is prohibited by law or unless a record is subject to attorney-client privilege. The CFTC reviews, assesses, and enforces the Applicant's adherence to the CEA—including the fifteen Core Principle requirements for SEFs ("**SEF Core Principles**") required by Section 5h of the CEA—and the regulations thereunder on an ongoing basis. The SEF Core Principles relate to the operation and oversight of the platform, including financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rulemaking, and investor protection.

1.2. Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

The Foreign Regulator—the CFTC—has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator. The CFTC is empowered by the U.S. Congress under the CEA to supervise and regulate the U.S. swaps market and SEFs. The CEA (which is U.S. federal law) requires, among other things, that SEFs follow the SEF Core Principles. In accordance with certain provisions of the CEA, the CFTC carries out the regulation U.S. SEFs. To implement the regulation of SEFs, the CFTC has promulgated regulations and guidelines ("CFTC regulations") that further interpret the SEF Core Principles (in the CEA) and govern the conduct of SEFs. The CFTC also undertakes periodic in-depth audits or rule reviews of a SEF's compliance with certain SEF Core Principles. Among these are examinations that assess SEF's compliance with the system-safeguards requirements that all SEFs must comply with.

The Applicant is required to demonstrate its compliance with the SEF Core Principles applicable to all U.S. SEFs. Among other things, the SEF Core Principles and CFTC regulations require SEFs to have a rulebook and a compliance program that includes a Chief Compliance Officer and compliance manual. A SEF's access criteria for participants must be impartial and transparent and must be applied in a fair and non-discriminatory manner. The CFTC requires each SEF to have certain required trading protocols. A SEF must publish on its website certain daily trading data for each swap contract listed on the SEF and must

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

report, or cause to be reported, all transactions executed on the SEF to a swap data repository. A SEF must also comply with system-safeguards requirements. The CFTC reviews, assesses, and enforces a SEF's adherence to CFTC regulations on an ongoing basis.

In addition, a SEF is a self-regulatory organization under CFTC regulations. A SEF is obliged under CFTC regulations to have requirements governing the conduct of participants, to monitor compliance with those requirements, and to discipline participants, including by means other than exclusion from the marketplace. The Applicant is staffed with experienced compliance personnel who will conduct market surveillance of trades on its platform for violations of the Applicant's rules.

2. Governance

2.1. Governance

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,
- (b) that business and regulatory decisions are in keeping with its public interest mandate,
- (c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:
 - (i) appropriate representation of independent directors, and
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,
- (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.1.1. Effective Oversight of the Exchange

The Board of Directors ("Board of Directors" or "Board") manage all business and affairs of the Applicant and have all the powers and authority permitted by law, the RTX SEF's Rules, and the RTX SEF Operating Agreement.

2.1.2. Business and Regulatory Decisions That are in Keeping with Its Public-Interest Mandate

The Board discharges its responsibilities and exercises its authority in a manner consistent with applicable legal and regulatory requirements, which promotes the sound and efficient operation of the Applicant's platform.

When fulfilling their responsibilities to RTX SEF—as directors, officers, committee members, or employees of RTX SEF or any corporate affiliate of RTX SEF that is performing functions for RTX SEF, or as consultants, contractors, or employees of a consultant or contractor—all persons must:

- Adhere to all legal mandates set forth by state, federal, or international governments and self-regulatory organizations.
- Comply with all applicable laws, rules, and regulations, including RTX SEF's internal policies.
- Promote regulatory compliance by RTX SEF and all its employees.
- Act in an ethical manner.

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

2.1.3. Fair, Meaningful, and Diverse Representation on the Board and Any Board Committees

The Board's composition is governed by the RTX SEF Operating Agreement and the standards set forth in Commission Rule 1.64(b)(1) and (b)(3).

The Board consists of five directors, three of whom are inside directors ("Inside Managers") and two of whom are outside directors ("Public Managers"). An Inside Manager is a person who currently serves as either an officer of the Applicant or a director on the Applicant's Board. A Public Manager is a person who, for a period of at least one year, has had no previous or current material relationship with the Applicant or its affiliates and who meets the definition of "Public Director" in Appendix B to Part 38 of the CFTC's Regulations. Each director serves until the director's successor is duly appointed, or until the director's earlier resignation or removal, with or without cause.

The Applicant currently has one Board Committee: the Regulatory Oversight Committee ("ROC"). Its purpose is to monitor the regulatory program of RTX SEF for sufficiency, effectiveness, and independence; oversee the regulatory program, including trade-practice surveillance, market surveillance, and regulatory responsibilities with respect to members; review the size and allocation of the regulatory budget and the performance of the Chief Compliance Officer; and review all regulatory proposals and recommend changes to the regulatory program. The Board appoints the members of this committee and requires any such member to be a Public Director.

2.1.4. Policies and Procedures to Appropriately Identify and Manage Conflicts of Interest for All Officers, Directors, and Employees

Under Rules 207, 209, and 210 to the RTX Rulebook, Applicant has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors, and employees.

Rule 209 of the Applicant's rulebook establishes rules to minimize conflicts of interest in its decision-making process; and rule 203(b)(ii) provides that the Applicant's CCO, in consultation with the Board or the CEO, is responsible for resolving any conflicts of interest that may arise.

Under the Applicant's conflicts-of-interest policy, business decisions and actions must be based on the best interests of the Applicant and must not be motivated by personal considerations or relationships. An employee's outside business activity is not to interfere with his or her regular duties as an employee and should not represent a conflict of interest to the Applicant. The Applicant expects its employees to not knowingly place themselves in a position that would have the appearance of being, or could be construed to be, in conflict with the Applicant's interests.

The Applicant's employees are strictly prohibited from accepting bribes, lavish gifts, and kickbacks. Except as permitted in writing by the CEO, employees may not accept gratuities, gifts, or anything that might make it appear that their judgment on behalf of the Applicant would be compromised, including any gift, item, meal, or service valued at more than \$25. Employees may not directly or indirectly provide anything of value to a participant, including gratuities.

Further policies and procedures concerning conflicts of interest are in rules 207 and 209 of the Applicant's rulebook.

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

Under CFTC regulation 1.69(b), a SEF must, among other things, have rules that require a member of its Board, disciplinary committee, or oversight panel to abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:

- is a named party in interest;
- is an employer, employee, or fellow employee of a named party in interest;
- is associated with a named party in interest through a "broker association" as defined in CFTC regulation 156.1;
- has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing transactions opposite of each other or to clearing transactions through the same clearing member; or
- has a family relationship with a named party in interest.

The Applicant also has policies and procedures in place to manage conflicts between with its affiliates. The Applicant has a services agreement with RTX IB Services LLC, an Introducing Broker registered with and subject to the oversight of the NFA, a self-regulatory organization for the U.S. derivatives industry. For the Applicant's staff to perform services for the affiliate Introducing Broker, the staff must comply with all applicable NFA registration requirements and rules.

2.1.5. Appropriate Qualifications, Remuneration, Limitation of Liability and Indemnity Provisions for All Directors, Officers, and Employees of the Exchange

Members of the Applicant's management team are recruited for their particular position based on their skills and expertise. Their individual goals and performance are regularly assessed by Applicant as part of the Applicant's performance management process.

The directors of the Applicant must be of good reputation and possess skills and expertise to fulfill their responsibilities in overseeing the governance of the Applicant. They must receive sufficient training so that they have a clear understanding of their responsibilities, including their fiduciary duty to the Applicant as well as their responsibility to exercise sound judgment about the operations, management, growth, and compliance of the Applicant. The fitness standards also support the creation of a composition of the Applicant's Board that provides a diversified set of talents and perspectives.

Specifically, the directors must:

- Have a high ethical standard and the desire to do the "right thing" at all times, at the core of their approach in business and life. The directors must exhibit independence, objectivity, and be capable of serving as a representative of not only the shareholders but also of other core constituencies.
- Have the availability, commitment, and personal qualities to be able to make a substantial active contribution to Board deliberations. These qualities include intelligence, self-assuredness, a high moral standard, integrity, interpersonal and communication skills, independence, courage, and a willingness to ask the difficult questions.
- Have no prior judgment or regulatory sanction issued against them or a company for which they controlled or had a controlling interest.
- Have experience in financial services, technology, or another field of expertise useful to the RTX SEF.

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

- Have a good overall reputation.
- Have significant educational and either business or teaching experience.
- Have an appreciation of, and experience with, a regulatory environment sufficient to foster a culture of compliance within the Applicant.
- Have the ability to develop a good working relationship with other directors and contribute to the Board's working relationship with the senior management of the Applicant as well as with regulators.

The Board has the authority to fix the compensation of the directors, and that compensation may include the reimbursement of expenses incurred in connection with meetings of the Board or a Board committee. The Applicant must reimburse directors for reasonable expenses incurred on behalf of the Applicant provided that those expenses have been approved by the Board. In addition, the Applicant's senior officer approves the CCO's compensation.

To the extent permitted by applicable law, the debts, obligations and liabilities of the Applicant, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Applicant; and the directors and officers are not obligated personally for any such debt, obligation, or liability of the Applicant solely by reason of being a director or officer of the Applicant.

2.2. Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and that the past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

The Applicant has established fitness standards for the Board in Rule 207(c) of the Applicant's rulebook ("Eligibility for Service on Boards and Committees").

The standards set for the Board reflect the Applicant's commitment to its stakeholders, as well as to the institutions and individuals who rely on the Applicant to provide swap-execution services and to complying with its role as a SEF subject to oversight by the CFTC.

The Board is committed to conducting itself in a legal and ethical manner in fulfilling its responsibilities. Each director is expected to comply with all applicable laws, rules and regulations, and Applicant policies, and to promote regulatory compliance by the Applicant and all of its employees. The Board discharges its responsibilities and exercises its authority in a manner that is consistent with applicable legal and regulatory requirements and that promotes the sound and efficient operation of the Applicant and its swap-execution activities.

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

3. Regulation of Products**3.1. Review and Approval of Products**

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

The CFTC core principles relevant to products traded on the Applicant's platform include:

- Core Principle 2—Compliance with Rules
- Core Principle 3—Swaps Not Readily Susceptible to Manipulation
- Core Principle 4—Monitoring of Trading and Trade Processing
- Core Principle 6—Positions Limits or Accountability
- Core Principle 7—Financial Integrity of Transactions
- Core Principle 9—Timely Publication of Trading Information

As noted previously, Core Principle 3 requires SEFs to demonstrate that new products are not susceptible to manipulation.

The Applicant's compliance manual sets forth the following procedure for adding new products or making changes to existing products:

- Under 17 CFR Part 40, RTX SEF is required to submit new swap contracts to the Commission prior to listing them for trading. To comply with this requirement, RTX SEF will utilize the following procedures:
 - First, the Compliance Department will analyze whether the contract meets the requirements set forth in 17 CFR Part 40.
 - Second, RTX SEF will take one of the following actions prior to listing the contract for trading:
 - if the Compliance Department is confident that the contract meets the requirements, RTX SEF will file a self-certification with the Commission—in accordance with the procedures in 17 CFR Part 40—that the new contract complies with the CEA and the Commission's regulations; or
 - if the Compliance Department is not confident that the contract meets the requirements, RTX SEF will either (i) submit a request to the Commission to approve the contract in accordance with the procedures in 17 CFR Part 40.
 - Lastly, RTX SEF shall list for trading only Swaps that are not readily susceptible to manipulation.
 - In addition, prior to the Applicant making any formal submission under Part 40 as discussed above involving a new swap contract to the CFTC, the Applicant's compliance department will consult informally with the CFTC Division of Market Oversight (DMO) staff. The compliance department will provide the CFTC DMO staff with draft materials related to the

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

proposed new swap contract. The compliance-department staff will work to address any questions or concerns with the CFTC DMO staff prior to making a formal submission under Part 40.

In order to submit a swap to the CFTC as self-certified, the Applicant must: (1) meet the submission criteria contained in CFTC regulation 40.2; (2) determine that the swap is “not readily susceptible to manipulation” in accordance with Core Principle 3 and CFTC regulations 37.300 and 37.301; and (3) include in the self-certified submission the information required by Appendix C to Part 38 of the CFTC regulations.

3.2. Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

Among other things, the requirement that new swaps comply with the SEF Core Principles means that they contain an analysis of the underlying cash market and the deliverable supply of the underlying product. In response to the Applicant's process for introducing a new product or changing an existing product, as described above, the CFTC has the right to follow up with questions requesting additional information on the underlying market, including but not limited to: supply and demand characteristics, participant composition, market concentration, deliverable supply estimates, the relation of the swap size to the underlying market, the quality of the product across various delivery facilities, and the delivery facilities used for the product. If the Applicant is unable to provide satisfactory answers to the CFTC's questions, it may require the platform to withdraw the proposed product addition or change it. Based on the experience of the Applicant's management (and the management includes the former CEO of two other SEFs), the terms and conditions of the swaps that will trade on the platform are standardized, generally accepted, and understood by participants.

3.3. Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

Section 9.3 of Part III of this application covers the way that the Applicant measures, manages, and mitigates the trading risk associated with products traded on the platform.

The Applicant's compliance function is responsible for ensuring that surveillance systems monitor trading by participants to prevent manipulation, price distortion, and other violations of the platform's rules and applicable law. On a post-trade basis, the Applicant's compliance department performs trade-practice surveillance using an automated-trade-surveillance system that will load and process daily orders and trades and other events no later than 24 hours after the completion of the trading day. The purpose of this monitoring is to detect instances or threats of manipulation, price distortion, or disruptive trading practices.

The name of the automated-trade-surveillance system that the Applicant uses to conduct the monitoring is “Validus,” which is a product of Eventus Systems, Inc. Validus assists the

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compliance department in detecting possible trade-practice violations by analyzing data sets—which can be large—and investigating patterns of trading conduct. Validus can (1) compute, retain, and compare trading statistics; (2) analyze, monitor, and report on multiple market manipulation strategies; (3) reconstruct the sequence of market activity; (4) perform market analysis; (5) compute trade gains and losses; and (6) support the compliance department in performing in-depth analyses and ad hoc queries of trade-related data.

No later than 24 hours after the trading day, Validus will analyze the platform's trade data and automatically generate alerts, which the compliance department will then review to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices. The Validus alerts are different than the alerts that the platform generates in real time (price, volume, and system). The compliance department will review, analyze, and close each alert in Validus. To close an alert requires the compliance department to determine whether or not there is a reasonable basis for finding that a rule violation occurred.

4. Access

4.1. Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure
 - (i) participants are appropriately registered as applicable under Quebec securities laws, or exempted from these requirements,
 - (ii) the competence, integrity and authority of systems users, and (iii) systems users are adequately supervised.
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.
- (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.
- (d) The exchange does not
 - (i) permit unreasonable discrimination among participants, or
 - (ii) impose any burden on competition that is not reasonably necessary and appropriate.
- (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

Consistent with applicable law, including the SEF Core Principles, the RTX SEF Platform provides access to participants on a fair, non-discriminatory, and open basis. Participant status, and access to and usage of the platform in such capacity, is available to all market participants that meet the criteria set forth by the Applicant and engage in transactions on the platform in accordance with its rules. Rule 302 of the Applicant's rulebook sets out the admission and eligibility criteria that participants must meet. Unless otherwise prohibited by other rules, an eligible person must meet the following standards under rule 302:

- the person must qualify as an ECP at all times and must promptly notify the Applicant if it fails to qualify as an ECP;
- if a natural person, the person must have attained the age of majority and be of good character;
- if an entity, the person must be duly organized, existing, and in good standing under the laws of its jurisdiction of organization;
- the person must have good commercial standing and business experience;
- the person must have adequate financial resources and credit as reasonably determined by the Applicant;

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- the person must, where relevant, be registered, licensed, or otherwise permitted by the appropriate governmental agency to conduct business on the platform or subject to the rules of the Applicant;
- the person must have such operational capabilities (including without limitation hardware, software, communications systems, and staffing) as the Applicant may from time to time determine is appropriate in view of such person's anticipated type and level of activity on the platform or subject to the rules of the Applicant;
- the person must only trade for its own account and not as an agent or broker on behalf of customers; and
- the person must meet any other criteria that the Applicant may from time to time prescribe.

All participants must also demonstrate a capacity to adhere to all applicable rules of the platform and CFTC regulations, including those concerning recordkeeping, reporting, financial requirements, and trading procedures.

Quebec participants using the platform must be registered under Quebec securities laws, exempt from such registration requirements, or not subject to such registration requirements.

Core Principle 11 (Antitrust Considerations) requires—unless necessary or appropriate to achieve the purposes of the CEA—that a SEF not (a) adopt any rules or taking any actions that result in any unreasonable restraints of trade; or (b) impose any material anticompetitive burden on trading. As such, the Applicant does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate, because such rules would not meet SEF Core Principle requirements.

The Applicant may deny the grant of trading privileges or prevent a person from becoming or remaining a participant, if it would cause the Applicant to be in violation of any applicable law. The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying, or limiting access. Under rule 304 of the Applicant's rulebook, if the Applicant denies an application for membership, the person is given an opportunity to be heard upon the specific grounds for the denial. A person denied membership may challenge the denial by filing with a petition for review of the denial by the Applicant's appeals committee. The person must file such a petition within thirty calendar days of the date upon which the Applicant's decision was mailed to the person. Hearings must be conducted in a manner that will give the person an opportunity to present fully and fairly to the Applicant the person's reasons why the application should be granted.

5. Regulation of Participants on the Exchange

5.1. Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

A SEF is a self-regulatory organization under CFTC regulations. Under CFTC regulations, a SEF must have requirements that govern the conduct of participants, and a SEF must monitor compliance with those requirements. A SEF must also discipline its participants for violating the requirements, including by means other than exclusion from the marketplace.

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All participants of the Applicant's platform must comply with the many rules that govern trading in the Applicant's rulebook. The applicable rules are primarily located in the following parts of the rulebook: Part 3 ("Participants"), Part 4 ("Obligations of Participants"), Part 5 ("Trading"), Part 6 ("Trading Electronically"), Part 7 ("Trading by Voice"), and Part 9 ("Business Conduct").

The Applicant's surveillance program includes market surveillance in real time and trade-practice surveillance on a T+1 basis. This section covers the latter.

On a post-trade basis, the Applicant's compliance department performs trade-practice surveillance using an automated trade surveillance system that will load and process daily orders and trades and other events no later than 24 hours after the completion of the trading day. The purpose of this monitoring is to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices.

The name of the automated trade surveillance system that the Applicant uses to conduct the monitoring is Validus, which is a product of Eventus Systems, Inc. Validus assists the compliance department in detecting possible trade-practice violations by analyzing data sets—which can be large—and investigating patterns of trading conduct. Validus can (1) compute, retain, and compare trading statistics; (2) analyze, monitor, and report on multiple market manipulation strategies; (3) reconstruct the sequence of market activity; (4) perform market analysis; (5) compute trade gains and losses; and (6) support the compliance department in performing in-depth analyses and ad hoc queries of trade-related data.

No later than 24 hours after the trading day, Validus will analyze the platform's trade data and automatically generate alerts, which the compliance department will then review to detect instances or threats of (1) manipulation; (2) price distortion; or (3) disruptive trading practices. The Validus alerts are different than the alerts that the platform generates itself in real time (price, volume, and system). The compliance department will review, analyze, and close each alert in Validus. To close an alert requires the compliance department to determine whether or not there is a reasonable basis for finding that a rule violation occurred.

The Applicant expends considerable human, technological, and financial resources that are focused on the maintenance of fair, efficient, competitive, and transparent markets, and the protection of all participants from fraud, manipulation, and other abusive trading practices. The Applicant's market-surveillance activities include a broad range of interconnected efforts that include trade-practice reviews, data-quality-assurance audits and enforcement activities. To fulfill its mandate to effectively monitor and enforce the platform's rules, the Applicant uses the Validus software (of Eventus Systems, Inc.)—an automated trade surveillance system—to establish a trade surveillance system capable of detecting potential trade-practice violations. As noted above, participants are required to comply with a significant number of rules governing trading on the platform under the Applicant's rulebook; those rules are primarily found in the following parts of the rulebook: Part 3 (Participants); Part 4 (Obligations of Participants); Part 5 (Trading); Part 6 (Trading Electronically); Part 7 (Trading by Voice); and Part 9 (Business Conduct).

Investigating and enforcing rule violations are necessary components of regulatory safeguards. The Applicant's disciplinary rules include establishing review panels, conducting investigations, prosecuting rule violations, and imposing sanctions in accordance with Part 10 (Disciplinary Proceedings) of the Applicant's rulebook.

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The Applicant is dedicated to safeguarding the integrity of its platform and ensuring that it is free from manipulation and other abusive practices. The efforts described in this part are a necessary component of markets that work efficiently and safely, thereby allowing participants that use the platform to have access to a marketplace that is open, transparent, and free from manipulation and market abuse.

Specifically with reference to regulatory technology, the Applicant has made significant investments in this area, ensuring that the Applicant's regulatory and market protection capabilities anticipate and evolve with the changing dynamics of the marketplace.

The Applicant has the ability to capture a comprehensive audit trail of market activity. The Applicant also has powerful and flexible data query and analytical tools that allow its regulatory staff to examine real-time, historical-order, and transaction data; to maintain profiles of markets and participants; and to detect trading patterns potentially indicative of market abuses.

6. Rulemaking

6.1. Purpose of Rules

- (a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.
- (b) The Rules are not contrary to the public interest and are designed to
 - (i) ensure compliance with applicable legislation,
 - (ii) prevent fraudulent and manipulative acts and practices,
 - (iii) promote just and equitable principles of trade,
 - (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,
 - (v) provide a framework for disciplinary and enforcement actions, and (vi) ensure a fair and orderly market.

6.1.1. Governing the Operations and Activities of Participants

In accordance with its obligations under the CEA and CFTC regulations, Applicant has implemented rules, policies, and other similar instruments that govern the operations and activities of its participants. Such rules are in Part 1–12 of its rulebook.

6.1.2. Not Permitting Unreasonable Discrimination Among Participants or Imposing Any Burden on Competition That Is Not Reasonably Necessary or Appropriate

Applicant believes that its rules and policies governing the activities of participants are consistent with the rules and policies of other derivatives marketplaces and therefore do not impose any burden on competition that is not reasonably necessary or appropriate.

In addition, Core Principle 11 (Antitrust Considerations) requires—unless necessary or appropriate to achieve the purposes of the CEA—that a SEF not (a) adopt any rules or taking any actions that result in any unreasonable restraints of trade; or (b) impose any material anticompetitive burden on trading. As such, the Applicant does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate, because such rules would not meet SEF Core Principle requirements.

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6.1.3. Aligning with the Public Interest

The Applicant's rulebook is subject to the standards and requirements outlined by the CFTC's SEF Core Principles. At a high level, the Applicant's rulebook seeks to ensure fair and orderly markets accessible to all eligible participants. This aim is accomplished by establishing rules that reflect the SEF Core Principle criteria, that are not contrary to the public interest, and that are designed to:

- ensure compliance with applicable legislation;
- prevent fraudulent and manipulative acts and practices;
- promote just and equitable principles of trade;
- foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange;
- provide a framework for disciplinary and enforcement actions; and
- ensure a fair and orderly market.

6.1.4. Ensuring Compliance with Applicable Legislation

The Applicant must comply with the CEA and CFTC regulations, which include the SEF Core Principles. As a result, the Applicant must implement rules that require compliance with these legal requirements by its participants.

Under SEF Core Principle 1 (Compliance with Core Principles), a swap execution facility must register as such, maintain its registration, and comply with the SEF Core Principles in the CEA and all applicable CFTC requirements. The Applicant proactively ensures compliance with all applicable laws and regulations. SEF Core Principle 2 (Compliance with Rules) requires SEFs to ensure participants consent to SEF rules and jurisdiction prior to accessing its markets. And Part 3 of the Applicant's rulebook governs membership requirements and establishes compliance with the rules that bring market participants within the jurisdiction of the CFTC and the scope of the SEF Core Principles.

6.1.5. Preventing Fraudulent and Manipulative Acts and Practices

Core Principle 2 (Compliance with Rules) requires a SEF to collect information, examine members' records, facilitate direct supervision of the market, maintain sufficient compliance staff, establish procedures for audit-trail reviews, conduct audit-trail reviews, perform real-time market monitoring and market surveillance, and maintain an automated trade surveillance system. The Applicant has instituted all these controls.

Core Principle 3 (Swaps Not Readily Susceptible to Manipulation) requires a SEF to ensure that the swaps it trades in are not readily susceptible to manipulation. The Applicant will comply with this core principle by including narrative descriptions of the product terms and conditions of every swap and by certifying in its CFTC regulation 40.2 submission that each swap is not readily susceptible to manipulation in accordance with Core Principle 3 and the criteria set forth in Appendix C to Part 38 of the CFTC regulations.

In addition, Parts 5 and 9 of the Applicant's rulebook prescribe trading practices and business-conduct requirements, including prohibited trading activities and prohibitions on fictitious trades, fraudulent activity, and manipulation.

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6.1.6. Promoting Just and Equitable Principles of Trade

Core Principle 9 (Timely Publication of Trading Information) requires a SEF to promote transparency by making timely public disclosures of trading information. The Applicant conforms to this Core Principle by publishing daily information on settlement prices and volume, for actively traded swaps, where applicable to the method of execution and products traded on the platform.

Core Principle 7 (Financial Integrity of Transactions) requires a SEF to ensure the financial integrity of transactions entered into on its markets. The Applicant's data and order-entry-feed systems offer simultaneous and equivalent access to all market participants.

Core Principle 11 (Antitrust Considerations) prohibits the imposition of unreasonable restraints or uncompetitive burdens on trade. Throughout its rulebook, the Applicant has established transparent and objective standards to prevent unreasonable restraints on trade and foster competitive and open market participation. Additionally, the Applicant's compliance manual provides that the Applicant and its employees may not adopt any rules or take any actions that result in any unreasonable restraint of trade or impose any material anticompetitive burden on trading or clearing.

The Applicant believes that compliance with these Core Principles, which require transparency, financial integrity, fair access, and fair competition among participants, promotes just and equitable principles of trade.

6.1.7. Fostering Cooperation and Coordination with Persons or Companies Engaged in Regulating, Settling, and Processing Information with Respect to, and Facilitating Transactions in the Products Traded on the Exchange

Rule 1203 of the Applicant's rulebook provides that the Applicant may share information with other regulatory organizations, data repositories, and third-party data reporting services as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. For such purposes, it also permits the Applicant to enter into information-sharing arrangements with any person or body (including the CFTC, the AMF, the NFA, any self-regulatory organization, any SEF, DCM, market, clearing organization, or any governmental body).

6.1.8. Promoting a Framework for Disciplinary and Enforcement Actions

Core Principle 2 (Compliance with Rules) requires a SEF to adopt a rule enforcement program, disciplinary procedures, and sanctions. In response to this requirement, Rule 204(b) of the Applicant's rulebook authorizes the Applicant to conduct and oversee surveillance, investigation, and rule-enforcement activities; rule 1206 prescribes the Applicant's procedures for dispute resolution.

6.1.9. Ensuring a Fair and Orderly Market

Core Principle 2 (Compliance with Rules) requires a SEF to establish rules governing the operation of the SEF, including orderly trading procedures and rule enforcement programs. Core Principle 3 (Swaps Not Readily Susceptible to Manipulation) requires a SEF to ensure that swaps traded on the facility are not readily subject to manipulation. Core Principle 4 (Monitoring of Trading and Trade Processing) requires a SEF to establish procedures for monitoring of trading and trade process. The Applicant complies with these Core Principles by prescribing trading rules, collecting and evaluating market activity data, by maintaining

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and auditing its real-time monitoring program, and by auditing historical data to detect trading abuses.

Core Principle 9 (Timely Publication of Trading Information) requires timely public disclosure of trade information, all of which will be published daily. SEF Core Principle 14 (System Safeguards) requires a SEF to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk; to establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery; and to periodically conduct tests to verify that the backup resources of the SEF are sufficient to ensure continued order processing and trade matching, price reporting, market surveillance, and maintenance of a comprehensive and accurate audit trail. The Applicant periodically reviews its programs and procedures, including risk analysis, emergency planning, and systems testing. The Applicant regularly audits systems and technology tests both for technical and regulatory compliance. The Applicant believes that compliance with these Core Principles, which require effective trading rules, real-time and post-trade monitoring, public data dissemination, and risk management procedures and testing, ensure a fair and orderly market.

7. Due Process

7.1. Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and
- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

Under SEF Core Principle 2, the Applicant is required to adopt a rule-enforcement program that includes disciplinary procedures and sanctions. To satisfy this requirement, Applicant has established the rules in Part 10 of its rulebook (entitled “Disciplinary Proceedings”). These rules set forth Applicant’s policies and procedures for discipline and rule enforcement, as well as for dispute resolution.

Applicant has the authority to initiate and conduct investigations of possible rule violations. And in response to rule violations, Applicant can enforce remedial action and impose sanctions. It is the duty of the Applicant’s Chief Compliance Officer (CCO) to enforce the rules, but the Chief Compliance Officer may also delegate such authority to members of the compliance department.

The Applicant’s compliance department has the authority to conduct investigations of possible violations of the platform’s rulebook, prepare written reports respecting such investigations, furnish such reports to the Applicant’s review panel and conduct the prosecution of such violations. An investigation must be commenced upon receipt of a request from CFTC staff or receipt of information by the Applicant that, in the judgment of the compliance department, indicates a reasonable basis for finding that a violation has occurred or will occur. The Applicant maintains records of all investigations conducted by the Applicant in accordance with its recordkeeping policy.

If the compliance department concludes that a violation may have occurred, the participant may be issued a warning letter or an investigation report concerning the matter may be filed with the Applicant’s review panel. No more than one warning letter may be issued to the

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same person found to have committed the same violation more than once in a rolling 12-month period. The investigation report must include the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; the Compliance Department's analysis and conclusions; and a recommendation as to whether disciplinary action should be pursued.

The review panel promptly reviews each investigation report prepared by the compliance department. And in the event that it decides that additional investigation or evidence is needed, it will promptly direct the compliance department to conduct further investigation. Within a reasonable period of time not to exceed sixty days after the receipt of a completed investigation report, the review panel must take one of the following actions:

- If it determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such a determination must be in writing and contain a brief statement setting forth the reasons therefore.
- If it determines that a reasonable basis exists for finding a violation which should be adjudicated, it shall direct that any person alleged to have committed the violation be served by the compliance department with a notice of charges, thus commencing disciplinary proceedings pursuant to the rules in Applicant's rulebook.
- It may also determine to issue a warning letter to the person being investigated, which is not a penalty or an indication that a finding of a violation has been made.

If the compliance department serves a notice of charges on a participant, it will do so in accordance with the rules in Part 10 of Applicant's rulebook. That part of the rulebook also contains the procedures that govern answers, formal hearings, decisions, and penalties. In addition, a participant may appeal certain disciplinary actions to the CFTC under Part 9 of the CFTC regulations.

8. Clearing and Settlement

8.1. Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.

The platform has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearinghouse. Part 8 of the Applicant's rulebook concerns clearing and the financial integrity of contracts. Under rule 804 in that part, the Applicant requires *all* swap transactions executed on the platform to be cleared, even if applicable law would otherwise permit a transaction not to be cleared. The platform will forward the swaps executed on or subject to the rules of the platform to a participant-selected clearing organization or via a straight-through processing (STP) entity that sends swap transactions to clearing, reporting, and counterparties.

All trades on the platform are cleared through a derivatives clearing organization (DCO). And currently the platform offers only two DCOs to choose from: (1) CME, Inc.; and (2) LCH Ltd.

All orders are checked against risk-based limits provided by a clearing member before the order is entered into the platform. All trades are submitted to the DCO for approval and acceptance before they are final.

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At the time of customer onboarding, the proposed participant provides the Applicant with information regarding its clearing account, including the name of its clearing member and the DCO. The Applicant then liaises with the relevant clearing member and DCO to verify the clearing information and will contact the relevant clearing member to arrange pretrade credit checks before the order is allowed onto the RTX SEF platform.

The Applicant may make periodic reviews of clearing arrangements by any ongoing participant, and at the time a participant attempts to enter an order onto the platform, a pretrade credit check with the relevant clearing member will occur. Upon submission of matched orders to the DCO for clearing, if the DCO rejects the order, the matched orders are “void ab initio” and no trade is completed.

8.2. Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

The platform will clear all swaps through either CME, Inc. or LCH Ltd. As a SEF, the platform is an execution venue only and does not provide clearing or settlement services.

The Applicant currently has connections to the DCOs CME, Inc. and LCH Ltd. These are the two most systemically important DCOs in interest-rate swaps. Both are registered with the CFTC and must comply with the CEA, including without limitation the core principles for DCOs provided in Section 5b of the CEA, as well as CFTC regulations, including without limitation those in 17 CFR Part 38 (“Derivative Clearing Organizations”).

RTX SEF monitors and periodically reviews the procedures and policies of the DCOs and remains in dialogue with other industry counterparts on the robustness of these procedures and policies.

9. Systems and Technology

9.1. Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry,
- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance, and
- (h) financial reporting.

The Applicant's platform has appropriate internal controls to ensure completeness, accuracy, integrity, and security of information; and it has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business.

The Applicant has put safeguards and security tools in place to protect the critical data and system components of its platform. As discussed above, the Applicant leverages the trade-

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surveillance capabilities of the Validus software, while maintaining full responsibility for compliance obligations.

The Applicant captures and retains all audit-trail data necessary to detect, investigate, and prevent customer and market abuses. Such data is required to be sufficient to reconstruct all trades and trade-related activity within a reasonable period of time and to provide evidence of any violations of the rules of the platform. The Applicant has also developed risk-monitoring tools and risk controls to prevent and reduce the potential risk of market disruptions, including but not limited to market restrictions that could pause or halt trading under market conditions prescribed by the Applicant.

The Applicant has established a business-continuity-plan-and-disaster-recovery document with respect to the platform. The plan describes the Applicant's response to and addresses both small-scale and wide-scale service disruptions to the Applicant's platform. The main objective of the document is to enable timely recovery and resumption of the platform's operation and the resumption of the Applicant's fulfillment of its responsibilities and obligations following any disruptions to the platform's operations, including: order processing; price reporting; market surveillance; and maintenance of a comprehensive audit trail.

The Applicant operates and provides participants with a robust and scalable platform. Standard system-monitoring metrics include capacity and performance level alerts. In addition to system level monitoring of capacity and performance of resources, the Applicant also conducts standardized application or platform capacity tests on a regular basis. This ensures the platform is well positioned to provide adequate responsiveness to customers. The data generated from these tests are used to establish present and historical benchmarks to identify performance and/or capacity hot spots or deficiencies. Additional resources are deployed where appropriate to resolve performance or capacity issues outside of the benchmark to bring performance back in line with benchmark expectation.

9.2. System Capability/Scalability

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

- (a) makes reasonable current and future capacity estimates;
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (c) reviews the vulnerability of those systems and data center computer operations to internal and external threats, including physical hazards and natural disasters;
- (d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;
- (e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;
- (f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and
- (g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

The Applicant's platform uses technology for its electronic trading platform that includes software provided by third-party vendors, such as Genesis Global.

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The Applicant makes capacity estimates by regularly monitoring its systems usage as well as maintaining constant communications between internal parties whenever new business or possible changes in the market may increase capacity on the systems.

The Applicant conducts regular performance and capacity tests in a production test environment, which matches production in its size, scope, and infrastructure.

The Applicant has internal policies and controls that govern system access, failures, and errors. Also, the Applicant or its service providers periodically conduct risk audits, internal physical security compliance inspections, and both internal and external penetration tests. Additionally, the Applicant performs cybersecurity vulnerability testing. Such tests are designed to periodically assess the operating effectiveness of security controls as well as to monitor internal compliance with security policies and procedures. External threats such as physical hazards and natural disasters are addressed in the platform's business-continuity-plan-and-disaster-recovery document.

The Applicant or its service providers review the configuration of its systems as part of its regular control procedures and conducts reviews as needed when issues are identified and resolved through its enterprise risk management and governance protocols. Configuration management is the subject of internal audits and is also included in the Applicant's business-continuity-plan-and-disaster-recovery tests.

The Applicant reviews and keeps current the development and testing methodology of the above systems pursuant to its policies and procedures. The Applicant's business-continuity-plan-and-disaster-recovery document is designed to allow for the recovery and resumption of operations and the fulfillment of the duties and obligations of the Applicant following a disruption. The Applicant performs periodic tests to verify that the resources are sufficient to ensure continued fulfillment of all duties of the Applicant under the CEA and CFTC regulations.

Complete backups are stored by Amazon Web Services in accordance with Applicant's policies and procedures. This data is retained for the period specified in CFTC regulations.

9.3. Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

The Applicant provides extensive market-integrity controls to ensure fair and efficient markets.

The Applicant uses risk monitoring tools and risk controls to prevent and reduce the potential risk of market disruptions. As described in rule 208 of the Applicant's rulebook, the Applicant has the power to take immediate action to maintain markets with fair and orderly trading and to prevent or address manipulation or disruptive-trading practices. Such actions can include:

- suspending or restricting trading or limiting trading to liquidating only (in whole or in part);
- extending, limiting or changing trading hours;
- imposing intraday market restrictions;
- imposing special margin requirements;

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- transferring both customer contracts and the margin in coordination with the platform's clearing organizations and clearing participants;
- ordering the liquidation or transfer of open positions;
- shortening or extending trading hours;
- spending or curtailing trading in a product;
- altering the terms and conditions of a product;
- imposing or modifying price limits; and
- imposing or modifying position limits.

Rule 1303 of the Applicant's rulebook also provides that to reduce the potential for market disruption, the platform may, in its discretion but subject to certain procedures, take any action that it deems necessary and appropriate, including but not limited to restricting or halting trading when doing so is in the best interest of the swap market.

In addition, the Applicant is required to take any other action as directed by the CFTC.

10. Financial Viability

10.1. Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

The Applicant has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

The Applicant has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices. Under CFTC regulations, a SEF must submit financial statements to the CFTC and maintain adequate financial resources to cover its operating costs for a period of at least one year, calculated on a rolling basis. A SEF must also hold liquid financial assets equal to at least six months' operating costs. The Applicant maintains no less than the current minimum capital amounts needed, and will maintain any future minimum capital amounts needed to meet CFTC requirements.

11. Trading Practices

11.1. Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

The Applicant is obligated to comply with CFTC regulations, which, as described in section 6.1 to Part III of this application above, require trading practices that are fair, properly supervised, and not contrary to the public interest. The CFTC regulations also require that the Applicant implement rules that require compliance with the CFTC regulations by its participants. The Applicant's rulebook, which addresses SEF trading practices, is subject to the standards and requirements outlined by the SEF Core Principles. At a high level, the SEF Core Principles and Applicant's rulebook both seek to ensure fair and orderly markets are accessible to all eligible participants that are properly supervised and operated in a manner consistent with the public interest.

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

11.2. Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

Rules pertaining to order size and limits are set forth in rule 509 of the Applicant's rulebook. The Applicant's rulebook is subject to the standards and requirements outlined by the SEF Core Principles and is subject to periodic review by the Applicant to ensure that the limits are fair, equitable, and appropriate for the market. The Applicant submits that its rules for accepting and distinguishing between and executing different types of orders is fair, equitable, and transparent.

11.3. Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

Core Principle 9 requires a SEF to make public timely information concerning swaps transactions executed on the SEF. The Applicant fulfills Core Principle 9 by posting trade data to its website daily, and by reporting swaps data to DTCC, the swap data repository for the Applicant's platform.

12. Compliance, Surveillance and Enforcement

12.1. Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

The platform that the Applicant will operate is a SEF, which the CFTC regulates. Under CFTC regulations, a SEF is a self-regulatory organization that has obligations to monitor participants' trading activity on the platform under CFTC regulations sections 37.203(e), 37.401, 37.402 and 37.403.

12.2. Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

Core Principle 2 requires a SEF to collect information, examine members' records, direct supervision of the market, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform real-time market monitoring and market surveillance, and utilize an automated trade surveillance system. The Applicant has instituted all these controls and has adequate resources available to ensure that controls are properly applied. Core Principle 2 also requires a SEF to adopt a rule enforcement program, disciplinary procedures, and sanctions policy. Section 7 of Part III of this application describes the resources available to the platform to investigate and discipline participants for rule

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

violations. Also, Part 9 of the Applicant's rulebook sets out its disciplinary rules; and Part 10 of the rulebook prescribes the Applicant's dispute resolution procedures.

The CCO is appointed by the Board and assists the Applicant in meeting its regulatory obligations, as set out by the CFTC.

It is the duty of the CCO to enforce the Applicant's rules and to assess the quality of its compliance oversight and disciplinary policies and procedures. As noted in this application, the Applicant's compliance staff, under the direction and direct supervision of the CCO, is responsible for conducting investigations of possible violations of any of the Applicant's rules, preparing written reports with respect to such investigations, furnishing such reports to the Applicant's disciplinary panels, and conducting the prosecution of any rule violations in accordance with Part 10 of the Applicant's rulebook. The CCO, on an ongoing basis, reviews the performance of staff and, where necessary, establishes procedures for the remediation of noncompliance issues. The CCO reports directly to the Board.

The CCO is supervised by the Board's Regulatory Oversight Committee. The CCO is required to meet with the ROC at least quarterly and review the Applicant's self-regulatory program, including compliance oversight and disciplinary processes. The ROC monitors the regulatory program of the Applicant for sufficiency, effectiveness, and independence; oversees the regulatory program, including trade practice surveillance, market surveillance and regulatory responsibilities with respect to participants; reviews the size and allocation of the regulatory budget and the performance of the CCO; and reviews all regulatory proposals and recommend changes to the program.

12.3. Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the AMF, on a timely basis.

Please see section 16.1 of Part III to this Application below.

13. Record Keeping

13.1. Recordkeeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

The Applicant collects data on a daily basis related to its regulated activity in compliance with Core Principle 10 (Recordkeeping and Reporting). The Applicant is required to maintain records of all activities relating to its business, including data related to order messaging, order execution, and pricing. Data is collected from across the platform, independent of whether the transaction was privately negotiated or matched in the Electronic Order Book. The Applicant maintains a precise and complete data history, referred to as the audit trail, for every order entered and transaction executed across the platform. Audit-trail information for each transaction includes the order instructions, entry time, modification time, execution time, price, quantity, account identifier, and parties to the transaction. On a daily basis, files of all electronic orders are archived, and copies are stored in the cloud to ensure redundancy and critical safeguarding of the data. Furthermore, as a

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

safeguard, the CFTC and the Applicant require participants to maintain all audit trail data for a minimum of five years.

14. Outsourcing

14.1. Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

The Applicant has entered into several licensing and services agreements with affiliates (including a shared-services agreement) and unaffiliated third parties for the use of (1) trade reporting technology; (2) front, middle, and back-office functionality (including monitoring, invoicing, and billing); (3) software; and (5) various support services, including technology support, trade reporting, books and records, telecommunications, and information technology. These agreements permit the Applicant to meet its obligations and are in accordance with industry best practices. The outsourcing arrangements have terms that allow the Applicant to monitor the services provided to ensure that the Applicant meets its regulatory obligations with respect to the outsourced service and that any services are provided in accordance with industry best practices. The Applicant at all times retains (1) responsibility for any functions delegated to any service provider; and (2) the ultimate decision-making authority.

15. Fees

15.1. Fees

- (a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

The CFTC requires the Applicant to charge comparable fees for participants receiving comparable access to, or services from, the platform. The Applicant complies with this requirement and therefore fees charged by the Applicant do not create an unreasonable condition or limit on access by participants.

16. Information Sharing and Oversight Arrangements

16.1. Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the AMF, self-regulatory organizations, other exchanges, and other appropriate regulatory bodies.

In response to any proper regulatory inquiry or request for documents, Applicant's policy is to respond promptly and completely through its legal and compliance departments. All inquiries and other communications from the AMF will be referred immediately to the Applicant's legal and compliance departments.

Rule 1203 of the Applicant's rulebook provides that the Applicant may share information with other regulatory organizations, data repositories, and third-party data reporting services

APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

as required by the CFTC or as otherwise necessary and appropriate to fulfill its self-regulatory and reporting responsibilities. For such purposes, it also permits the Applicant to enter into information-sharing arrangements with any person or body (including the CFTC, the AMF, the NFA, any self-regulatory organization, any SEF, DCM, market, clearing organization, or any governmental body). The Applicant shares or will share information with DTCC (as a designated swap data repository).

16.2. Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the AMF and the Foreign Regulator.

The CFTC has entered into memorandum of understanding (“MOU”) arrangements for cooperative enforcements with foreign regulatory authorities in numerous jurisdictions. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority.

The CFTC and the AMF are parties to an MOU that was entered into by the parties as of March 25, 2014. The MOU is available at: <https://www.osc.ca/en/about-us/domestic-and-international-engagement/international-mous/notice-memorandum-understanding-4>.

17. IOSCO Principles

17.1. IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organization of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

Applicant adheres to the standards of IOSCO by virtue of the fact that Applicant must comply with the CEA and CFTC regulations, which reflect the IOSCO standards. In addition, the CFTC will regularly examine Applicant for compliance with applicable law.

SUBMISSIONS BY THE APPLICANT

PART IV. SUBMISSIONS BY THE APPLICANT

The instruments for which the Applicant seeks approval for Quebec Participants to trade on the Applicant's platform fall under the definition of "derivative," as set forth in section 3 of the Act.

The Applicant's platform falls under the definition of "published market" set out in section 3 of the Act because it brings together buyers and sellers of derivatives and uses established, non-discretionary methods under which orders interact with each other.

An "exchange" is not defined under the Act. But subsection 3.1(2) of the Policy Statement to Regulation 21-101 *Respecting Marketplace Operation* (the Policy Statement) provides that a "marketplace" is considered to be an "exchange" if it, among other things, sets requirements governing the conduct of marketplace participants. A swap execution facility has certain obligations to monitor participants' trading activity. Because a swap execution facility sets requirements for the conduct of its participants and surveils the trading activity of its participants, it will be considered by the AMF to be an exchange for purposes of the Act.

An exchange and a published market fall under the definition of "regulated entity" set out in section 3 of the Act.

Pursuant to the Policy Statement and section 12 of the Act, no regulated entity may carry on derivatives activities in Quebec unless it is recognized by the AMF as an exchange or as a published market or exempt from recognition by the AMF.

The Applicant submits that an exemption from recognition is appropriate for the Applicant because the Applicant is subject to regulation by the CFTC and full regulation by the AMF would be duplicative and inefficient. In addition, the Applicant will provide certain Quebec Participants with significant access to liquidity¹ for which, at least for certain types of transactions, there is no appropriate alternative platform, and the Quebec capital markets will be disrupted if the Requested Relief is not granted.

The Applicant understands that this Application will be reviewed and discussed with AMF staff and that it will be published, along with a draft order, for a 30-day comment period.

Based on the foregoing, the Applicant submits that it would not be prejudicial to the public interest to grant the Requested Relief.

Similar relief has been granted.

The Applicant notes that exemptive relief similar to the Requested Relief has been granted by the AMF in (1) In the Matter of Refinitiv US SEF LLC (Decision n° 2020-SMV-0069); and (2) In the Matter of NEX SEF (Decision n° 2017-SMV-0059).

¹ Please note that currently no Quebec Participant trades on the Applicant's platform.

CONSENT TO PUBLICATION

PART V. CONSENT TO PUBLICATION

The Applicant consents to the publication of this application for public comment.

Yours very truly,



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7.3.2 Publication

Nouvel organisme d'autoréglementation du Canada (le nouvel « OAR ») – Projet de modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

L'Autorité des marchés financiers (l'« Autorité ») publie la décision n° 2023-DPEMD-0002 approuvant la modification des règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel.

L'avis de mise en œuvre / d'approbation n° 23-0072 du nouvel OAR est publié avec la décision n° 2023-DPEMD-0002. L'avis d'appel à commentaires n° 22-0063 de l'Organisme canadien de réglementation du commerce des valeurs mobilières, maintenant le nouvel OAR a été publié au Bulletin de l'Autorité, le 28 avril 2022, Volume 19, n° 16.

Nouvel organisme d'autoréglementation du Canada Projet de modification visant à modifier la méthode de calcul du taux de marge variable applicable à un produit indiciel

Vu la demande complétée le 20 décembre 2022 par l'Organisme canadien de réglementation du commerce des valeurs mobilières (l'« OCRCVM ») afin d'obtenir l'approbation de l'Autorité des marchés financiers (l'« Autorité ») du projet de modification des Règles de l'OCRCVM et du Formulaire 1 visant à modifier la méthode de calcul du taux de marge variable applicable à un produit indiciel (le « projet de modification »);

Vu la démarche consultative suivie par l'OCRCVM pour le projet de modification;

Vu le principal objectif du projet de modification qui consiste à réduire la procyclicité dans la méthode de calcul du taux de marge variable applicable à un produit indiciel;

Vu la décision no 2022-PDG-0050 prononcée par l'Autorité le 14 novembre 2022 reconnaissant le Nouvel organisme d'autoréglementation du Canada (le « Nouvel OAR ») à titre d'organisme d'autoréglementation au Québec en vertu de l'article 68 de la Loi sur l'encadrement du secteur financier, RLRQ, c. E-6.1 (la « Loi »);

Vu la déclaration du Nouvel OAR selon laquelle le projet de modification a été dûment approuvé par son conseil d'administration le 20 décembre 2022;

Vu l'article 74 de la Loi;

Vu l'acte d'autorisation de signature de certains actes, documents ou écrits pris en vertu de l'article 24.1 de la Loi et les pouvoirs délégués conformément à l'article 24 de la Loi;

Vu l'analyse effectuée par la Direction de l'encadrement des activités de négociation et sa recommandation d'approuver le projet de modification du fait qu'il favorise l'efficacité des marchés et qu'il n'est pas contraire à l'intérêt public.

En conséquence, l'Autorité approuve le projet de modification en date du 11 avril 2023.

Fait le 13 avril 2023.

Dominique Martin
Directeur principal de l'encadrement des activités de marché et des dérivés

Décision n°: 2023-DPEMD-0002



Maintenant le Nouvel organisme d'autoréglementation du Canada,
issu de la fusion de l'OCRCVM et de l'ACFM

Avis du nouvel OAR

Avis sur les règles

Avis d'approbation/de mise en œuvre

Règles visant les courtiers en placement
et règles partiellement consolidées

23-0072

Le 18 mai 2023

Renvoi aux règles :

[Règles CPPC](#)

Destinataires à l'interne :

Affaires juridiques et conformité

Comptabilité réglementaire

Crédit

Détail

Haute direction

Institutions

Opérations

Pupitre de négociation

Groupe-ressource :

Politique de réglementation des membres

Courriel : memberpolicymailbox@iiroc.ca

Modifications des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

Sommaire

Les Autorités canadiennes en valeurs mobilières (ACVM) ont approuvé les modifications des Règles visant les courtiers en placement et règles partiellement consolidées (Règles CPPC) et du Formulaire 1 fondé sur les Règles CPPC (les **modifications**) qui établissent des taux de marge planchers pour les produits sur indice admissible canadien ou américain. Les modifications ont aussi pour effet de codifier les critères d'un indice admissible et le pouvoir discrétionnaire du Nouvel organisme d'autoréglementation du Canada (**nouvel OAR**) de modifier le calcul du taux de marge variable applicable à un produit indiciel.

Avis du nouvel OAR 23-0072 – Avis sur les règles – Avis d'approbation/de mise en œuvre – Règles CPPC – Modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

L'objectif des modifications consiste à réduire la procyclicité dans la méthode de calcul du taux de marge variable applicable à un produit indiciel (la **méthode**) du nouvel OAR.

Les modifications ont d'abord été publiées dans le cadre d'un projet de modification des Règles de l'OCRCVM et du Formulaire 1 dans l'Avis 22-0063. Le 1^{er} janvier 2023, le conseil d'administration du nouvel OAR a approuvé l'adoption des modifications comme projet de modification des Règles 5100 et 5300 des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC, Directives générales et définitions.

1. Contexte

Les exigences ou les pratiques procycliques sont celles qui sont positivement corrélées avec les fluctuations du cycle du marché ou du cycle de crédit et qui peuvent provoquer ou aggraver l'instabilité financière. La méthode actuelle est procyclique. Elle établit des taux de marges obligatoires inférieurs à un taux optimal lors de longues périodes de faible volatilité sur les marchés et elle entraîne des hausses marquées des taux de marge lors des périodes intermittentes de forte volatilité sur les marchés. Les modifications réduisent la procyclicité de la méthode.

2. Commentaires reçus

Nous n'avons reçu aucune lettre de commentaires en réponse à l'Avis 22-0063.

3. Modifications

Les modifications :

- établissent des taux de marge planchers pour les produits indiciels figurant dans la liste des taux de marge variables et des taux de marge pour les erreurs de suivi à l'égard des produits sur indice admissible canadien ou américain;
- révisent le calcul du taux de marge variable applicable à un produit indiciel en ce qui concerne les positions individuelles et les positions compensatoires (erreur de suivi) en imposant le « taux le plus élevé entre » le taux de marge plancher et le taux de marge variable exprimé en pourcentage;
- définissent le terme « indice admissible » aux fins de l'établissement du taux de marge variable, la définition établissant les deux types d'indices admissibles, à savoir les indices généraux et les indices sectoriels;
- codifient le pouvoir discrétionnaire dont dispose le nouvel OAR pour modifier le calcul de l'intervalle de marge prescrite.

La version nette des passages modifiés des Règles CPPC se trouve à l'[annexe A](#) et la version soulignant les modifications, à l'[annexe B](#). La version nette des passages modifiés du Formulaire 1 fondé sur les Règles CPPC se trouve à l'[annexe C](#) et la version soulignant les modifications, à l'[annexe D](#).

4. Mise en œuvre

Les modifications entreront en vigueur le 8 août 2023. Dans le cadre de la mise en œuvre, nous voulons :

- mettre à jour la [page Web](#) comportant la liste des taux de marge variables en fonction des modifications;
- mettre fin au calcul régulier des taux de marge applicables aux contrats à terme sur indice américain non couverts;
- mettre fin à la publication régulière mensuelle de la liste des taux de marge variables;
- publier une liste des taux de marge variables actualisée lorsqu'un changement des taux de marge variables ou des taux de marge pour erreurs de suivi concerne un taux supérieur aux taux de marge planchers.

Avis du nouvel OAR 23-0072 – Avis sur les règles – Avis d'approbation/de mise en œuvre – Règles CPPC – Modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

5. Annexes

[Annexe A](#) – Version nette des passages modifiés des Règles CPPC

[Annexe B](#) – Version soulignant les modifications des Règles CPPC

[Annexe C](#) – Version nette des passages modifiés du Formulaire 1 fondé sur les Règles CPPC

[Annexe D](#) – Version soulignant les modifications du Formulaire 1 fondé sur les Règles CPPC

Avis du nouvel OAR 23-0072 – Avis sur les règles – Avis d’approbation/de mise en œuvre – Règles CPPC – Modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

3

Nouvel organisme d'autoréglementation du Canada

Modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

Version nette des passages modifiés des Règles CPPC

Modification n° 1 – Nous avons modifié le paragraphe 5130(4) des Règles visant les courtiers en placement et règles partiellement consolidées (Règles CPPC) en remplaçant le terme « principal *indice général* » par le terme « principal *indice large de marché* », comme suit :

« titres de capitaux propres cotés en bourse étrangers admissibles à la marge »	Titres (sauf les obligations, les débentures, les droits et les bons de souscription) inscrits à la cote d'une <i>bourse agréée</i> à l'extérieur du Canada et des États-Unis qui font partie du principal <i>indice large de marché</i> de cette bourse, si l' <i>indice</i> figure sur la liste des indices des marchés étrangers dont les titres sont admissibles à la marge publiée par l' <i>Organisation</i> .
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Modification n° 2 – Nous avons modifié le paragraphe 5130(9) des Règles CPPC :

- en ajoutant et en modifiant la définition du terme « *indice général* » qui figure actuellement dans les Directives générales et définitions du Formulaire 1;
- en modifiant les autres définitions ci-après, présentées selon l'ordre alphabétique.

« indice général »	<i>Indice</i> boursier dont : (i) le panier de <i>titres de capitaux propres</i> sous-jacent comprend au moins trente titres; (ii) le titre ayant la plus forte pondération représente tout au plus 20 % de la <i>valeur marchande</i> globale du panier; (iii) la capitalisation boursière moyenne associée à chacun des <i>titres de capitaux propres</i> dans le panier sous-jacent est d'au moins 100 millions de dollars; (iv) les titres dans le panier doivent provenir d'un large éventail de secteurs industriels et commerciaux, selon ce que détermine l' <i>Organisation</i> , de façon à assurer la diversification de l' <i>indice</i> ; (v) les titres sont inscrits et négociés à une <i>bourse agréée</i> .
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...

« coefficient de pondération relatif cumulatif »	Coefficient de pondération relatif général déterminé par le calcul, conformément au paragraphe 5360(7), de la pondération réelle de chaque titre dans un <i>panier admissible de titres de l'indice</i> par rapport à sa dernière pondération relative dans l' <i>indice</i> publiée.
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...

« indice »	Soit un <i>indice général</i> , soit un <i>indice sectoriel</i> .
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...

Annexe A

« indice sectoriel »	<i>Indice</i> boursier dont : (i) le panier de <i>titres de capitaux propres</i> sous-jacent comprend au moins huit titres; (ii) le titre ayant la plus forte pondération représente tout au plus 35 % de la <i>valeur marchande</i> globale du panier; (iii) la capitalisation boursière moyenne associée à chacun des <i>titres de capitaux propres</i> dans le panier sous-jacent est d'au moins 100 millions de dollars; (iv) les titres sont inscrits et négociés à une <i>bourse agréée</i> .
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...

« intervalle de marge prescrite »	Calcul de la marge prescrite par l' <i>Organisation</i> conformément au paragraphe 5360(4).
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...

« panier admissible de titres de l'indice »	Panier de <i>titres de capitaux propres</i> ayant les caractéristiques énoncées au paragraphe 5360(6).
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...

« taux de marge pour erreurs de suivi »	Dernier <i>intervalle de marge prescrite</i> calculé pour les erreurs de suivi résultant d'une stratégie de compensation particulière, sous réserve du taux plancher minimum de marge prescrit au paragraphe 5360(2).
« taux de marge supplémentaire pour le panier »	Taux supplémentaire pour un <i>panier admissible de titres de l'indice</i> calculé conformément au paragraphe 5360(8).
« taux de marge variable »	Le taux de marge variable établi par l' <i>Organisation</i> conformément au paragraphe 5360(5), sous réserve du taux plancher minimum de marge prescrit au paragraphe 5360(2).

Modification n° 3 – Nous avons modifié le paragraphe 5360(1) des Règles CPPC en ajoutant la mention « taux le plus élevé entre » et en mentionnant le « taux plancher minimum de marge » dans la description des calculs de la marge, comme suit :

5360. Parts indicielles et paniers admissibles de titres de l'indice

- (1) Les minimums requis pour la *marge associée au portefeuille du courtier membre* et la *marge associée au compte du client* dans le cas de *parts indicielles* et de *paniers admissibles de titres de l'indice* sont les suivants :

Marge obligatoire minimum	
Catégorie (i) Parts indicielles	Catégorie (ii) Panier admissible de titres de l'indice
(a) Le taux le plus élevé entre : (I) soit le <i>taux de marge variable</i> (calculé pour une <i>part indicielle</i> en fonction de l' <i>intervalle de marge prescrite</i>),	(a) La somme des éléments suivants : (I) le taux le plus élevé entre : (A) soit le <i>taux de marge variable</i> (calculé pour un panier parfait de

Annexe A

Marge obligatoire minimum	
Catégorie (i) Parts indicielles	Catégorie (ii) Panier admissible de titres de l'indice
(II) soit le taux plancher minimum de marge prescrit au paragraphe 5360(2); multiplié par (b) la <i>valeur marchande des parts indicielles</i> .	titres de l'indice en fonction de son <i>intervalle de marge prescrite</i> , (B) soit le taux plancher minimum de marge prescrit au paragraphe 5360(2); (II) le <i>taux de marge supplémentaire pour le panier</i> calculé pour le <i>panier admissible de titres de l'indice</i> ; multipliée par (b) la <i>valeur marchande du panier admissible de titres de l'indice</i> .

Modification n° 4 – Nous avons modifié l'article 5360 des Règles CPPC en ajoutant le paragraphe 5360(2), comme suit :

- (2) Pour l'application du paragraphe 5360(1) et pour ce qui concerne les positions de stratégies de compensation prévues dans la Règle 5700, les taux planchers minimums des marges associées au portefeuille du *courtier membre* et aux comptes de clients sont les suivants :

Indices admissibles, positions individuelles et positions compensatoires	Catégorie (i) Indice général selon la définition donnée au paragraphe 5130(9)	Catégorie (ii) Indice sectoriel selon la définition donnée au paragraphe 5130(9)
Taux plancher à utiliser pour établir le taux de marge applicable aux positions non couvertes sur <i>parts indicielles</i> et sur <i>panier admissible de titres de l'indice</i>	10,00 %	15,00 %
Taux plancher à utiliser pour établir le <i>taux de marge pour erreurs de suivi</i> applicable aux positions de stratégies de compensation visant des produits indiciels	2,00 %	3,00 %

Modification n° 5 – Nous avons modifié l'article 5360 des Règles CPPC en ajoutant le paragraphe 5360(3), comme suit :

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- (3) L'*Organisation* calcule l'*intervalle de marge prescrite* applicable aux produits indiciels pour les *indices* admissibles. Pour l'application des paragraphes 5360(1) et 5360(2), un *indice* admissible est un *indice* large de marché, selon l'*Organisation*, qui :
- (i) satisfait aux exigences minimales relatives à un *indice* qui sont énoncées au paragraphe 5130(9);
 - (ii) figure dans la liste des taux de marge variables et des *taux de marge pour erreurs de suivi* à l'égard des produits sur *indice* admissible canadien ou américain.

Modification n° 6 – Nous avons modifié le paragraphe 5360(2) des Règles CPPC en changeant son numéro, qui devient 5360(4), et en ajoutant l'alinéa 5360(4)(ii), comme suit :

- (4) L'*Organisation* calcule l'*intervalle de marge prescrite* au moyen de la formule suivante :
- (i) Écart type maximal des fluctuations en pourcentage des cours de clôture quotidiens pendant les 20, 90 et 260 derniers jours de bourse \times 3 (pour un intervalle de confiance de 99 %) \times Racine carrée de 2 (pour la couverture du risque lié aux cours pendant 2 jours) arrondi au ¼ % suivant.
 - (ii) Dans certaines circonstances particulières, pour s'assurer que les marges obligatoires sont appropriées, l'*Organisation* peut calculer à sa discrétion l'*intervalle de marge prescrite*. L'*Organisation* avise les *courtiers membres* si des rajustements sont apportés au calcul de l'*intervalle de marge prescrite*.

Modification n° 7 – Nous avons modifié le paragraphe 5360(3) des Règles CPPC :

- en changeant son numéro, qui devient 5360(5);
- en clarifiant le libellé de l'alinéa 5360(5)(iii);
- en actualisant le renvoi dans l'alinéa 5360(5)(iv),

comme suit :

- (5) Pour calculer le *taux de marge variable* d'une *part indicielle* ou d'un panier parfait de titres d'un indice :
- (i) l'*Organisation* utilise le dernier *intervalle de marge prescrite* en vigueur pour la *période de rajustement normale*, à moins qu'une *irrégularité* ne se produise;
 - (ii) dans des circonstances normales, le *taux de marge variable* est rajusté à la *date de rajustement normale* pour le faire correspondre à l'*intervalle de marge prescrite* calculé à la *date de rajustement normale*;
 - (iii) si une *irrégularité* se produit, l'*Organisation* peut rajuster le *taux de marge variable* à la date à laquelle l'*irrégularité* se produit pour qu'il corresponde à l'*intervalle de marge prescrite* déterminé à cette date;
 - (iv) l'*intervalle de marge prescrite* déterminé à l'alinéa 5360(5)(iii) est en vigueur pendant au moins 20 jours de bourse et est rajusté à la fermeture du 20^e jour de bourse pour

qu'il corresponde au nouvel intervalle déterminé à ce moment si le rajustement entraîne une diminution du taux de marge.

Modification n° 8 – Nous avons modifié les paragraphes 5360(4) à 5360(6) des Règles CPPC en changeant la numérotation de leur séquence et en actualisant les renvois dans l'alinéa dont le numéro est devenu 5360(7)(ii), comme suit :

- (6) Un panier de *titres de capitaux propres* est un *panier admissible de titres de l'indice*, si les conditions suivantes sont réunies :
- (i) tous les titres de ce panier font partie du même *indice*;
 - (ii) le panier représente un portefeuille dont la *valeur marchande* est égale à celle des *titres sous-jacents* de l'*indice*;
 - (iii) la *valeur marchande* de chaque *titre de capitaux propres* qui compose le portefeuille est proportionnellement égale ou supérieure à la *valeur marchande* de sa pondération relative dans l'*indice*, d'après les dernières pondérations relatives publiées des titres composant l'*indice*;
 - (iv) d'après les dernières pondérations relatives publiées des *titres de capitaux propres* composant l'*indice*, le *coefficient de pondération relatif cumulatif* requis pour tous les *titres de capitaux propres* qui composent le portefeuille :
 - (a) est égal à 100 % du coefficient de pondération cumulatif de l'*indice* correspondant, si le panier de *titres de capitaux propres* sous-jacent à l'*indice* est composé de moins de 20 titres,
 - (b) est égal ou supérieur à 90 % du coefficient de pondération cumulatif de l'*indice* correspondant, si le panier de *titres de capitaux propres* sous-jacent à l'*indice* est composé de 20 à 99 titres,
 - (c) est égal ou supérieur à 80 % du coefficient de pondération cumulatif de l'*indice* correspondant, si le panier de *titres de capitaux propres* sous-jacent à l'*indice* est composé d'au moins 100 titres;
 - (v) si la pondération relative cumulative de tous les *titres de capitaux propres* du panier est égale ou supérieure au *coefficient de pondération relatif cumulatif* requis et qu'elle est inférieure à 100 % de la pondération cumulative de l'*indice* correspondant, l'insuffisance du panier est comblée par d'autres *titres de capitaux propres* composant l'*indice*.
- (7) On détermine le *coefficient de pondération relatif cumulatif* :
- (i) en calculant :
 - (a) la pondération réelle dans le panier
 - (b) et la dernière pondération relative dans l'*indice* publiée
 de chaque titre du *panier admissible de titres de l'indice*, puis
 - (ii) en additionnant le coefficient de pondération le moins élevé des deux coefficients de pondération calculés pour chaque titre conformément aux sous-alinéas 5360(7)(i)(a) et 5360(7)(i)(b) de tous les titres qui font partie du *panier admissible de titres de l'indice*.

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- (8) Pour chaque titre sous-pondéré dans le panier, le *taux de marge supplémentaire pour le panier* à calculer pour un panier admissible de titres de l'indice correspond à la somme des éléments suivants :

$$\boxed{\begin{array}{l} \text{Valeur marchande} \\ \text{de chaque titre} \\ \text{sous-pondéré} \\ \text{du panier} \end{array}} \times \boxed{\begin{array}{l} \text{Taux de marge} \\ \text{applicable à} \\ \text{ce titre} \end{array}} \times \boxed{\begin{array}{l} \text{Pourcentage de sous-pondération du titre} \\ \text{(calculé selon la formule : pondération relative} \\ \text{publiée du titre – pondération réelle du titre} \\ \text{dans le panier)} \end{array}}$$

Nouvel organisme d'autoréglementation du Canada

Modification des Règles CPPC et du Formulaire 1 fondé sur les Règles CPPC concernant la méthode de calcul du taux de marge variable applicable à un produit indiciel

Version nette des passages modifiés du Formulaire 1 fondé sur les Règles CPPC

Modification n° 1 – Nous avons modifié le Formulaire 1 fondé sur les Règles CPPC (directives générales et définitions) en mettant à jour la définition du terme « indice général » de manière à refléter les modifications proposées concernant le terme au paragraphe 5130(9), comme suit :

« indice général »	<p>Indice boursier dont :</p> <ul style="list-style-type: none"> (i) le panier de <i>titres de capitaux propres</i> sous-jacent comprend au moins trente titres; (ii) le titre ayant la plus forte pondération représente tout au plus 20 % de la <i>valeur marchande</i> globale du panier; (iii) la capitalisation boursière moyenne associée à chacun des <i>titres de capitaux propres</i> dans le panier sous-jacent est d'au moins 100 millions de dollars; (iv) les titres dans le panier doivent provenir d'un large éventail de secteurs industriels et commerciaux, selon ce que détermine l'<i>Organisation</i>, de façon à assurer la diversification de l'indice; (v) les titres sont inscrits et négociés à une <i>bourse agréée</i>.
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