



Via email submission to info.mxr@tmx.com

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**Re: Consultation Paper on Regulatory Framework Applicable to Approved Persons,
Circular 068-25 (May 29, 2025)**

Dear Ms. McMeekin:

The Futures Industry Association (“FIA”)¹ appreciates the opportunity to respond to the Montreal Exchange’s (“TMX” or “the Bourse”) consultation paper on the regulatory framework applicable to Approved Persons (“Consultation Paper”).² FIA’s member firms include clearing firms and trading and commercial firms that operate in the exchange-traded derivatives markets globally. Several of FIA’s member firms (or affiliates thereof) are Approved Participants on TMX and involved in the Approved Persons process.

FIA supports TMX’s goals and objectives for a revised Approved Persons framework, particularly the simplification, modernization, and streamlining components. The comments provided herein are intended to assist TMX in achieving these goals and objectives while also ensuring that the framework is practical and manageable for firms. In certain instances we suggest alternatives which, while not our preferred solution, we believe are incremental steps in a positive direction. FIA members have an interest in supporting the growth, resilience and overall success of the Bourse. We submit these comments with this shared mission in mind and would welcome further engagement with the Bourse to expand upon any of the points raised in this letter.

I. Introduction

TMX’s current Approved Persons regime can be lengthy and complicated. TMX Rule 3.4 requires that Approved Participants “certify to the Bourse that only the Approved Persons who have

¹ FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore, and Washington, D.C. FIA’s membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. FIA’s mission is to support open, transparent, and competitive markets; protect and enhance the integrity of the financial system; and promote high standards of professional conduct.

² Consultation Paper Regulatory Framework Applicable to Approved Persons, Circular 068-25 (May 29, 2025), available at https://www.m-x.ca/f_circulaires_en/068-25_en.pdf.

received the required training have access to the Electronic Trading System; and [] put in place an internal security procedure for access to the Electronic Trading System.” The training prescribed by TMX is an online course with three parts.³ Each product type section of the training has an exam that must be passed in order for the person to be considered an Approved Person for that product type.⁴

Moreover, persons interested in serving as Approved Persons must submit an application, signed by the applicant, the designated representative or an authorized signatory of the Approved Participant, and an authorized signatory of an affiliate, if applicable.⁵ The application asks questions regarding: (i) personal biographical information, (ii) refusal of registrations or licenses, etc.; (iii) criminal offenses, including those unrelated to trading or advising; (iv) civil or alternative dispute proceedings; and (v) bankruptcy. It also has at least two appendices. Moreover, the following documentation must accompany all applications: (i) training certification(s); (ii) evidence of current registrations; and (iii) application fees.⁶

Where the applicant is employed by an affiliate of an Approved Participant, an organizational chart evidencing the relationship between the legal entities must be included, along with a third appendix. Where signature from an authorized individual with an affiliate is needed, a corporate resolution evidencing that person’s authority must also be submitted.

TMX will authorize Approved Persons where, “in its opinion, the Approved Person has the necessary competence and integrity.”⁷ TMX recommends ensuring that the following conditions are fulfilled, before submitting an application: (1) the applicant must be employed by the Participant, or an affiliate; (2) the Participant and, if applicable, the affiliate must be in a recognized jurisdiction; and (3) the employee must be competent.⁸

FIA agrees that only qualified, competent, and reputable individuals should have access to TMX’s trading system. However, we submit that TMX’s current process is unduly burdensome in accomplishing that goal.

To improve its Approved Persons regime, TMX should:

- Align with industry standard practices;
- Eliminate the registration aspect of its regime;
- Streamline the granting of trading rights (as opposed to access rights);
- Eliminate the list of jurisdictions where Approved Person’s employers must be located; and

³ See Regulatory Division of Bourse de Montréal Inc., Approved Persons Guidelines at Q4 (Dec. 12, 2022), *available at* <https://reg.m-x.ca/en/resource/466/> (“**Guidelines**”); *see also* New Mandatory Training for Anyone Interested in Becoming an Approved Person at Bourse De Montréal Inc., Circular 134-19 at 1 (Oct. 17, 2019), *available at* https://www.m-x.ca/f_circulaires_en/134-19_en.pdf.

⁴ See Circular 134-19 at 1 (a passing grade is 70%).

⁵ See TMX Rule 3.400.

⁶ Guidelines at Q5.

⁷ *Id.* at Conditions of Eligibility.

⁸ *Id.*

- Make changes/upgrades to its portal.

II. Discussion of Key Considerations

A. TMX's Current Approved Persons Regime Is Not Harmonized With Similar Global Trading Venues.

The process of setting an employee up as an Approved Person on TMX is significantly more complex and time-consuming compared to similar global trading venues. For example, FIA members estimate that it takes at least one (1) month to achieve Approved Person status on TMX. In contrast, setting up an individual with a Tag50 on CME takes approximately 48 hours to one (1) week.

Consider the following key differences between the process of gaining access to TMX versus other major North American exchanges:

TMX Requirements that are Not Present on CME or ICE US
Prescribed training courses with passing grade achieved
Applicant can only be from one of ten approved jurisdictions
Docusign component

TMX's process could be substantially streamlined while still allowing the Bourse to: (i) understand who is trading on its trading system; (ii) have jurisdiction over those trading on its trading system; and (iii) expect those trading on its trading system to be competent. Indeed, other exchanges have successfully struck this balance.

Further suggestions on how TMX can streamline its Approved Persons regime are set out below, along with certain incremental alternatives.

B. A Registration Process Is Not Needed.

TMX's registration-related processes (*i.e.*, training requirement and application questions related to registrations, criminal offenses, civil proceedings, and bankruptcies) are out of step with industry standard. Indeed, other trading venues that are larger in size do not require the same. FIA submits that TMX could remove these processes without undermining its trading system. TMX should rely on: (i) the Approved Participant's registration process with TMX; (ii) the Approved Participant's hiring process for employees; and (iii) registration requirements for individuals in local jurisdictions with government regulators or other regulatory bodies (*e.g.*, Associated Persons registration with the National Futures Association ("NFA") in the United States).⁹

Approved Participants have already undertaken a registration process with TMX. These legal entities are required to "be registered with a securities or derivative instruments regulator, or a recognized self-regulatory organization, unless [] exempted," "have entered into a clearing

⁹ See NFA, Associated Person (AP) Registration, available at <https://www.nfa.futures.org/registration-membership/who-has-to-register/ap.html>.

agreement with a member of the Canadian Derivatives Clearing Corporation,” and “have a designated agent for service of process residing in Quebec.”¹⁰ Once a firm is an Approved Participant with TMX, they are subject to TMX’s Rulebook, which requires that they supervise Approved Persons¹¹ and be responsible for their conduct.¹² TMX also routinely examines Approved Participants.

Moreover, it’s common for large financial institutions of the type that are Approved Participants on TMX to have robust hiring processes. These processes typically include assessing an individual’s competency and running a criminal background check.

Lastly, in many instances, individuals serving as Approved Persons on TMX are registered in their home jurisdictions. Evidence of such registration is submitted as part of the TMX Approved Person application process. For example, an individual based in the United States may be registered with the NFA as an associated person. Generally speaking, to become an associated person, an individual must pass a Series 3 exam, submit fingerprints for a criminal background check, and complete a Form 8-R which includes criminal disclosures, regulatory disclosures, and financial disclosures.

TMX should rely on the Approved Participant, its corresponding legal obligations, its hiring due diligence, and individual registration requirements in home countries to ensure that Approved Persons are competent to access the Bourse’s trading systems.

Alternatively, if TMX is unable to eliminate its registration processes, FIA supports recognition of registrations from other jurisdictions. For example, if an individual is registered as an associated person with the NFA, TMX should recognize that registration and permit the individual to become an Approved Person on an expedited basis. Such recognition would make TMX’s process more efficient and allow firms and TMX to allocate resources where they are most needed.

C. Trading Rights Should Be Streamlined and Distinguished From Access Rights.

The Guidelines state: “[e]mployees of a Participant are required to be Approved Persons to (i) access the Electronic Trading System of the Bourse . . . to *trade* on behalf of the Participant or the Participant’s clients or to (ii) *execute* block trades or riskless basis cross-trades.”¹³ Trading should be distinguished from mere access. With the proliferation of global marketplaces and financial instruments that can be traded electronically, firms may utilize centralized systems or desks to conduct business. Requiring every individual that has *access* to the trading system to be an

¹⁰ TMX, Approved Participants, available at <https://reg.m-x.ca/en/approval/approved-participants#overview> (quoting certain of the requirements for foreign firms).

¹¹ See TMX Rule 3.100.

¹² See TMX Rule 3.101 (“Each Approved Participant must ensure that all its employees, Approved Persons and Designated Representative comply with the provisions of the Regulations of the Bourse.”); see also TMX Rule 3.107 (“An Approved Participant may be found liable by the Bourse for the conduct of one of its Approved Persons or employees.”).

¹³ Guidelines at Q3 (emphasis added).

Approved Person is unnecessarily burdensome and fails to account for individuals who need access for risk management or other supervision purposes, but are not trading.

Moreover, the focus on access may needlessly scope in order routing algorithms that make decisions on what product to trade or what market to route an order to, even where there is no intention to execute a trade on TMX. Modifying these routing algorithms to avoid such access is a significant amount of work that is unnecessary but for TMX's access standard. A focus on individuals who are trading on TMX is more aligned with global exchange requirements.

Alternatively, if TMX insists on Approved Person status for mere access alone, the standard should be updated to require a system that is reasonably designed to achieve compliance. Currently, there is a strict liability approach to mere access which creates outsized regulatory risk for firms.

D. The List of Jurisdictions From Where Approved Person's Employers Can Be Located Should Be Eliminated.

Currently, employers of Approved Persons have to be located in one of ten jurisdictions.¹⁴ If the employer is not in one of the approved jurisdictions, applicants will not be permitted to register as Approved Persons. Fundamentally, it is not clear to us why employers of Associated Persons cannot be reasonably located elsewhere, especially in today's era of global trading and modern technology. This is a substantial limitation that creates staffing and operational challenges for firms providing 24/7 coverage.

FIA is not aware of any other exchange that imposes such jurisdictional limitations.¹⁵ In our view, a jurisdictional limitation is not needed because if problematic conduct occurs, the Approved Participant remains accountable and responsible to TMX and TMX is able to prevent further access to its markets by the Approved Person. Thus, we encourage TMX to eliminate limitations based on jurisdiction from its Approved Person regime.

Alternatively, if TMX is unable to eliminate the jurisdictional limitations, it should expand the list of approved jurisdictions. Firms are currently seeing a particular need for Approved Persons in Germany, India, Brazil, Australia, and Japan. As such, we encourage TMX to consider recognizing all G20 countries as approved jurisdictions.¹⁶ FIA believes this would be a positive, incremental expansion.

¹⁴ The ten jurisdictions are: (1) Canada; (2) the United States; (3) France; (4) the Republic of Ireland; (5) Jersey; (6) the Netherlands; (7) the United Kingdom; (8) Israel; (9) Hong Kong; and (10) Singapore. Guidelines at Q2.

¹⁵ With the exception of sanctions prohibitions.

¹⁶ The G20 countries/unions are: (1) Argentina; (2) Australia; (3) Brazil; (4) Canada; (5) China; (6) France; (7) Germany; (8) India; (9) Indonesia; (10) Italy; (11) Japan; (12) Korea; (13) Mexico; (14) Russia; (15) Saudi Arabia; (16) South Africa; (17) Turkey; (18) the United Kingdom; (19) the United States; (20) the European Union; and (21) the African Union.

E. Upgrades/Changes To The Portal Are Needed.

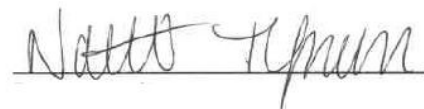
FIA encourages TMX to upgrade its participant portal to make the Approved Persons application process more efficient and user-friendly. Specifically, TMX should:

- Remove the docuSign component from the process, and instead rely on an authorized individual providing approval in the portal. Alternatively, if the docuSign component is still needed, embed the functionality into the portal, so signatures can be easily obtained without the need to locate separate emails, which may be filtered out by spam or other firewalls or lost in a user's inbox;
- Allow minor updates to be made to an application without requiring that the application be moved backwards in the process to an "open" status; and
- Implement an MX-ID mapping table to permit MX-IDs that do not match or are missing to be promptly rejected.

III. Conclusion

FIA thanks TMX for the opportunity to respond to the Consultation Paper. Should you have any questions about any of the foregoing, please do not hesitate to contact me at ntynan@fia.org. We look forward to continued engagement on this matter, and to a proposed rule forthcoming from TMX.

Sincerely,

A handwritten signature in dark ink, appearing to read "Natalie Tynan", written over a horizontal line.

Natalie Tynan
Associate General Counsel, Head of Technology Documentation Strategy