

FORM FBOT—EXHIBIT G-1

Request: Attach a description of the foreign board of trade’s regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.

Response:

MX has a separate Regulatory Division (“Division”) that oversees the regulatory and compliance functions of the exchange. Its mission is to ensure the integrity of the Exchange’s markets. As of May 2012, it has a staff of 17 persons.

1. Governance and Structure

The Division’s structural and governance standards comply with the Exchange’s Recognition Order and with the Rules of the Exchange. These structural standards include:

- The Division operates as a separate and independent unit of the Exchange. Its financial budgets as well as its financial results are separate from those of the Exchange. Its operations are self-funded and carried out on a not-for-profit basis;
- The Division is under the oversight of the Special Committee – Regulatory Division. This committee is nominated and appointed by the Board of Directors of the Exchange; and

The Regulatory Division governance and structure are designed to ensure its independence, from the business activities of the Exchange, which is a for-profit corporation. For example:

- Due regard is given to the preservation of the independence of the self-regulatory function of the Division and to its obligations to investors and the general public;
- The Exchange does not take any action that would interfere with the effect of any decisions by the Special Committee – Regulatory Division relating to its regulatory functions (including disciplinary matters) or that would interfere with the ability of the Division to carry out its responsibilities under the Exchange’s Recognition Order; and
- If the Exchange becomes aware of or has in its possession confidential information pertaining to the self-regulatory function of the Division, it arranges to keep this information confidential.
- The Special Committee – Regulatory Division must be composed of a majority of independent members.

2. Units

A. Market Analysis

The Market Analysis unit is responsible for, among other things, monitoring insider trading activities on the options market of the Exchange. Such monitoring of trading activities is currently done on a post-trade basis. The Market Analysis unit also reviews transactions on the futures market to determine whether trading rules and principles are being complied with and fairly maintained, and whether such transactions involve abusive or manipulative trading practices.

Market analysts use sophisticated computer technology, SOLA® Surveillance, to detect unusual trading patterns. Any unusual situation or practice identified in the course of review and analysis of transactions made on the Exchange market is referred to the Investigations unit.

SOLA Surveillance is an automated surveillance system that monitors marketplace activity, based on pre-defined criteria and ad hoc reports, and alerts market analysts to unusual trading activity and potential violations of the Exchange's trading rules. The system has a "drill down" capability that allows market analysts to view transactional level information for research and analysis purpose.

The Market Analysis unit is also responsible for reviewing and analyzing the various reports that approved participants are required to file on a regular basis with the Division.

B. Investigation

The Investigation unit will open cases following complaints which may come from different sources and that have undergone a preliminary analysis by the market analysts. An investigation can also be opened following findings of regulatory violations in the course of an examination or of an analysis. When the investigation leads to the conclusion that there was a violation of the Rules of the Exchange, a disciplinary process may be initiated.

C. Examination

The Examination unit conducts examinations of derivative instruments trading desks of approved participants that are active on the Exchange markets. The purpose of these reviews is to verify the compliance of approved participants' trading practices with the Rules and Policies of the Exchange. Among other things, such examinations involve:

- verifying samples of orders entered on the Exchange electronic trading system and of transactions executed thereon;
- reviewing procedures in place and their adequacy and completeness;
- verifying various books and records.

Once an examination has been completed, a report is issued to the approved participant summarizing any deficiency identified in the course of the examination and setting out requirements or recommendations to correct observed deficiencies.

D. Approvals

The Approvals unit manages the following requests for approval:

- SAM approved person;
- domestic or foreign approved participant;
- transfer or change of status requests; and
- employment termination notices.

3. Committees

A. Special Committee – Regulatory Division

The Special Committee – Regulatory Division supervises and controls the activities of the Division, subject to the final authority of the Exchange’s Board of Directors and the AMF.

The Special Committee – Regulatory Division adopts or amends Rules and Policies of the Exchange regarding various matters relative to the supervision of approved participants, their approved persons and restricted trading permit holders. It makes recommendations to the Board regarding the Rules and Policies of the Exchange relative to market surveillance.

It also approves requests for approvals to become approved participants and exercises powers to suspend or revoke such approvals. It also exercises powers to order inspections and investigations and acts as an appeal forum for final decisions rendered by disciplinary committees of the Exchange or other staff committees of the Exchange.

The Special Committee — Regulatory Division is composed of a majority of persons who are Quebec residents, at the time of their appointment and for the duration of their term, and of persons who satisfy the independence conditions that are applicable to the Directors of the Bourse.

B. Disciplinary Committee

A Disciplinary Committee hears complaints brought pursuant to article 4101. The Exchange maintains a list of persons eligible to sit on a Disciplinary Committee. This list and any change thereto must be approved by the Special Committee. The list consists of :

- a. individuals:
 - i. who are directors, officers or partners of approved participants; or
 - ii. who are retired from the securities industry and who were previously directors, officers or partners of an approved participant.
- b. at least two (2) individuals who are related neither to an approved participant nor to the Exchange.

A Disciplinary Committee is comprised of three persons named by the Vice-President, Legal Affairs (Derivatives) who must select two of them among the persons mentioned in a) or among the members of the Special Committee, and one among the persons mentioned in b).

C. Rules and Policies Committee

This Committee is composed of three members of the executive committee of the Exchange and has the mandate to approve any regulatory amendment proposal concerning trading rules.

4. Funding

Pursuant to the Exchange’s Recognition Order and to the Rules regarding the Regulatory Division, the Exchange must ensure that the Regulatory Division is provided with sufficient resources and funds. Furthermore, no regulatory fees, fines or penalties collected by or on behalf

of the Regulatory Division may be distributed or transferred to the Exchange for commercial purposes or for payment of dividends.

The Division funds its programs and activities, including surveillance, investigations and examinations, through distinct regulatory fees assessed directly on approved participants of the Exchange. Regulatory fees collected are for the exclusive use of regulatory operations.

July 20, 2012

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Re: Montréal Exchange Inc. Application for Registration as a Foreign Board of Trade Under Part 48 of the Commission's Regulations – Form FBOT Exhibit G-2

Dear Sir or Madam:

Montréal Exchange Inc. (the "Requestor") hereby request that the document entitled "Form FBOT Exhibit G-2" to the above referenced Application for Registration as a Foreign Board of Trade submitted July 20, 2012, as covered by this letter, be afforded confidential treatment in accordance with the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, and CFTC Rules thereunder, 17 C.F.R. § 145.9, for an indefinite period of time due to the trade secrets contained in such document and the sensitive commercial and proprietary nature of the information contained therein, public disclosure of which could be detrimental to the requestor. As prescribed by 17 C.F.R. § 145.9(d)(4), each page of the document included in this request bears the legend, "Confidential treatment requested by Montréal Exchange Inc."

In accordance with the foregoing regulations, kindly notify me at the above address or telephone number of any request under FOIA for access to the enclosed document, to enable the requestor to substantiate the grounds for confidential treatment, or if you have any questions regarding this document.

Best regards,



Paul M. Architzel

FORM FBOT—EXHIBIT G-3

Request: Attach the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following –

- (1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.
- (2) The issuance of warning letters and/or summary fines for specified rule violations.
- (3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.
- (4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.
- (5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.
- (6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

Response:

MX, as well as any approved participant, approved person, or restricted trading permit holder, may file a complaint against an approved participant, approved person, or restricted trading permit holder.¹ It is one of the duties of the Regulatory Division to initiate such disciplinary procedures.² The Regulatory Division also prosecutes disciplinary actions.³

A Disciplinary Committee hears complaints brought against approved participants, approved persons, and restricted trading permit holders.⁴ MX maintains a list of persons eligible to sit on a Disciplinary Committee; this list consists of individuals who are directors, officers, or partners of approved participants, individuals who are retired from the securities industry and who were previously directors, officers, or partners of an approved participant, and at least two individuals who are related neither to an approved participant nor to MX.⁵ Each Disciplinary Committee is comprised of three persons named by the Vice-President, Legal Affairs (Derivatives), who shall select two of them from among the list of current or former directors, officers, or partners of approved participants, and one of them from the list of persons

¹ Attachment 14, Montréal Exchange Rule 4101.

² Rules Regarding the Regulatory Division § 3.4.

³ *See, e.g.*, Rule 4155.

⁴ Rule 4102.

⁵ Rule 4104

independent of all approved participants and MX.⁶ This Disciplinary Committee is authorized to impose penalties upon finding an offense.⁷

Whenever MX decides to initiate disciplinary proceedings, it must serve an originating notice on any person who is directly concerned.⁸ This notice must contain a reference to the regulatory provisions governing the matter, a summary statement of the facts alleged and intended to be relied upon by the Regulatory Division and the conclusions drawn by the Regulatory Division based on the alleged facts, a statement of the intent of MX to conduct a hearing of the matter (the date and place may be stated in either the originating notice or in the notice of hearing), a reminder of the articles allowing for settlement of complaints, and a warning that failure to file a reply within the prescribed period may result in foreclosure from producing any witnesses at the hearing.⁹

A person served with an originating notice must, within ten business days from the date of service, serve to the Vice-President, Legal Affairs (Derivatives), a reply signed by the person or by an individual authorized to sign on behalf of the person.¹⁰ The reply must set out, specifically for each fact alleged in the originating notice, whether such fact is admitted or denied, and contain a statement of the person's position with regard to the conclusions drawn by MX in the originating notice, and a statement of any additional facts relied on by the person.¹¹

When the Regulatory Division determines that a formal hearing is required, it shall provide notice of a hearing.¹² This notice shall be provided after the ten-business-day period provided for a reply, and shall indicate the date, time, and place of the hearing.¹³ The notice shall state that the person is required to attend the hearing, and that the Disciplinary Committee may proceed with the hearing of the matter in the person's absence.¹⁴

All hearings are public, except for those pertaining to settlement offers, which are held in public once an offer of settlement has been accepted by the Disciplinary Committee.¹⁵ However, the Disciplinary Committee may, on its own initiative or upon request, order that a hearing be held in camera, in part or in whole, or prohibit the publication or disclosure of specific information or documents, in the interest of good morals or public order, particularly to preserve confidential business information or privileged communications or to preserve an individual's privacy or reputation.¹⁶

Any person on whom an originating notice was served, and that person's representative, is entitled to attend the hearing, in person, or, if necessary, by videoconference, for the purpose of hearing the evidence, cross-examining the witnesses presented by the Regulatory Division, presenting their own witnesses, and making representations to the Disciplinary Committee

⁶ Rule 4102.

⁷ Rule 4105.

⁸ Rule 4151.

⁹ *Id.*

¹⁰ Rule 4152.

¹¹ *Id.*

¹² Rule 4153.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Rule 4154.

¹⁶ *Id.*

regarding the matter.¹⁷ Such person may be assisted by a lawyer at the hearing.¹⁸ If a person notified of the hearing fails to attend, the Disciplinary Committee may proceed with the hearing and disposition of the matter without further notice and in the absence of the person.¹⁹ If the Regulatory Division has prepared a written report and proposes to table such report at the hearing, a copy must be given to the parties beforehand.²⁰ The Disciplinary Committee may admit as evidence any documentary proof without a witness if the Committee is of the opinion that the rights of cross-examination would not be affected.²¹ The Regulatory Division has the right to question a person who is subject to a complaint or who is accused of having breached a provision of the regulations of MX, as well as any other person under its jurisdiction, and such person shall be obliged to answer all questions.²² In the event of a guilty verdict, the parties are entitled to be heard on the penalty to be imposed, unless the Disciplinary Committee previously ruled that representations on the penalty should be made prior to its deliberations on the merits.²³

The decision of the Disciplinary Committee must be in writing, and must be served on the person concerned.²⁴ In finding an approved participant, approved person, or restricted trading permit holder guilty of a violation, MX is empowered to impose a range of sanctions, including fine, suspension, and expulsion from MX.²⁵ In its decision, the Disciplinary Committee must give the reasons supporting its decision.²⁶ A notice of the decision must be sent to the complainant, distributed to the approved participants and restricted trading permit holders of MX, filed in the records of MX, and be made available to the public and the press.²⁷ If no appeal is brought within the time allowed for doing so, the Disciplinary Committee must report on the hearing to the Special Committee of the Regulatory Division.²⁸

An appeal of a Disciplinary Committee's decision may be brought before the Special Committee of the Regulatory Division.²⁹ The appeal must be brought within ten business days of service of the Disciplinary Committee's decision.³⁰ Appeals are conducted on the basis of the original file and appeal briefs.³¹ If necessary, the Special Committee may hold a hearing.³² The appellant must file, with the Vice-President, Legal Affairs (Derivatives), a brief within fifteen business days of filing the notice of appeal.³³ The respondent must file its brief within fifteen business days of receiving the appellant's brief.³⁴ An appeal suspends execution of certain penalties under a Disciplinary Committee's decision; however, it cannot stay the suspension of the rights of an Approved Participant, approved person, or restricted trading permit holder, the prohibition to obtain an approval, the expulsion of an Approved Participant, and the revocation

¹⁷ Rule 4155(a).

¹⁸ Rule 4155(b).

¹⁹ Rule 4158.

²⁰ Rule 4155(c).

²¹ Rule 4155(d).

²² Rule 4157.

²³ Rule 4155(e).

²⁴ Rule 4160(a).

²⁵ See Rule 4105.

²⁶ Rule 4160(b).

²⁷ Rule 4160(c).

²⁸ Rule 4161.

²⁹ Rule 4251.

³⁰ Rule 4252.

³¹ Rule 4257.

³² *Id.*

³³ Rule 4255.

³⁴ *Id.*

of a permit or approval of MX.³⁵ Appeals from the decision of the Special Committee are governed by the Québec Derivatives Act.³⁶

Where the Special Committee deems it necessary for the protection of the public and the reputation of MX, it may suspend an Approved Participant or suspend or revoke approval of any person without following its typical procedures, provided that MX issues forthwith a notice of hearing and convenes a hearing within the following fifteen business days.³⁷ A non-exclusive list of circumstances which might cause the Special Committee to intervene without notice in this manner includes: the conviction of a crime in connection with trading in securities or derivatives instruments, expulsion by another exchange, failure to provide information or to appear in the manner prescribed by MX, and insolvency.³⁸

At any time, the Regulatory Division may negotiate an offer of settlement with any person served with an originating notice.³⁹ An offer of settlement must contain the provisions of the regulations that have been breached or not complied with, a statement of the facts agreed upon by the Regulatory Division and the person proposing the offer of settlement, the disposition of the matter, including any penalty to be imposed and the amount of costs and expenses to be paid, the consent of the person to the settlement, a statement that the settlement must be approved by the Disciplinary Committee (or, in certain cases, the Vice-President, Regulatory Division), and a waiver by the person of all rights to a hearing or appeal.⁴⁰ If an offer of settlement is accepted, the matter becomes final, the settlement constitutes a decision, there can be no appeal in the matter, the disposition agreed upon must be recorded in the permanent records of MX, and a notice of the decision must be sent to the complainant, distributed to the approved participants and restricted permit holders, filed in the records of MX, and made available to the public and the press.⁴¹

All sanctions for trading rules violations are public⁴². Sanctions can go from a simple reprimand to a monetary penalty of up to \$1,000,000. The faulty firm or persons can also be ordered to restitute losses incurred by other person(s) because of the acts or omissions of the faulty party.

Sanctions are generally accompanied by a requirement to reimburse MX for costs incurred in connection with the investigation and with the disciplinary process.

For extreme cases, MX has the power to suspend the firm and/or its authorized persons for a specific period of time or to permanently expel and ban them from trading on MX market.

³⁵ Rule 4256.

³⁶ Rule 4260.

³⁷ Rule 4301.

³⁸ See Rules 4302-4309.

³⁹ Rule 4201.

⁴⁰ Rule 4202.

⁴¹ Rule 4207.

⁴² Warning letters are not considered a sanction and are not public. Such letters are kept in the approved participant's file and can be used to support the initiation of a disciplinary process if there is a reoccurrence of a similar situation. In this case, the initial warning letter could be made public. Warning letters are usually used in cases where some deficiencies were identified during the investigation but did not result in any harm or damages to the market and the public. When receiving a warning, the approved participant is required to correct the deficiencies and to report to the Exchange corrective measures taken.

The simple fact that an approved participant or authorized person is aware that an investigation is being made on its conduct has proved to be an effective deterrent to deficient controls and procedures as well as to regulatory violations. When such investigations are followed by warning letters, MX has seen significant improvements in the controls and procedures applied by the concerned firm or person. Sanctions also have a significant deterring effect since they are made public. In Canada, the concept of having to pay a monetary sanction whether pursuant to a settlement agreement or to a decision from a disciplinary panel, without admission or denial of a regulatory violation, does not exist. In all cases there must be an admission that a regulatory violation occurred.

MX also imposes administrative penalties for late filing of forms and/or reports. For example, administrative penalties are imposed when authorized persons termination notices are filed past the prescribed delays. Penalties are also imposed for late filing of position reports or for failure to reply to information requests within specified period of time. The fee schedule for these penalties provides for an increase in the amount of penalties in cases of repeated occurrences (see list of fees, Section 2, at http://www.mx.ca/f_publications_en/bourse_list_fees_2012.pdf). Administrative penalties are not public, but if there are more than three occurrences during a civil year, a disciplinary complaint can be filed against the applicable firm or persons in order to impose a more severe sanction and the penalties will then become public along with the sanction.

Administrative penalties have also proved to be an effective deterrent for cases of minor violations. In fact, when a penalty has been imposed once, it is very rare that there will be repeat cases.

July 20, 2012

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Re: Montréal Exchange Inc. Application for Registration as a Foreign Board of Trade Under Part
48 of the Commission's Regulations – Form FBOT Exhibit G-4

Dear Sir or Madam:

Montréal Exchange Inc. (the "Requestor") hereby request that the document entitled "Form FBOT Exhibit G-4" to the above referenced Application for Registration as a Foreign Board of Trade submitted July 20, 2012, as covered by this letter, be afforded confidential treatment in accordance with the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, and CFTC Rules thereunder, 17 C.F.R. § 145.9, for an indefinite period of time due to the trade secrets contained in such document and the sensitive commercial and proprietary nature of the information contained therein, public disclosure of which could be detrimental to the requestor. As prescribed by 17 C.F.R. § 145.9(d)(4), each page of the document included in this request bears the legend, "Confidential treatment requested by Montréal Exchange Inc."

In accordance with the foregoing regulations, kindly notify me at the above address or telephone number of any request under FOIA for access to the enclosed document, to enable the requestor to substantiate the grounds for confidential treatment, or if you have any questions regarding this document.

Best regards,



Paul M. Architzel