

FORM FBOT—EXHIBIT B

Request:

Attach the following, separately labeling each description:

(1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

(2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.

(ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.

(iii) Financial Integrity. A description of the following:

(A) The financial resource requirements, standards, guides or thresholds required of members and other participants.

(B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.

(C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:

(i) Working capital and collateral requirements, and

(ii) Risk management mechanisms for members allowing customers to place orders.

(iv) Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

Response:

All information (including links to prescribed forms and relevant rules) regarding the application process to become a participant of MX can be found at the following address: http://reg.m-x.ca/en/approval/approved_participant.

I. A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade.

There are two broad categories of membership and participation on MX: (1) “Approved Participants,” which are firms registered in Canada, and (2) “Foreign Approved Participants,” which are foreign firms that are not registered and do not have any place of business in Canada, but are permitted, under a no-action letter or equivalent instrument from their local regulator, to become a member of MX and access its trading system. As a general matter, a participant must be either a corporation or partnership. MX also grants restricted trading permits to certain natural persons who have accounts with clearing Approved Participants.

A. Approved Participants

A participant’s application will be accepted only where, in the opinion of MX, the participant has the necessary competence and integrity, and adequate financial resources.¹

B. Foreign Approved Participants

MX can exempt a Foreign Approved Participant from certain requirements when it judges that the Foreign Approved Participant is already required to comply with comparable or equivalent requirements under its registration with a competent securities or derivatives regulator or recognized self-regulatory organization.

C. Restricted Trading Permits

Restricted permit holders have direct access to the trading system, but only as principal to trade the products for which the permit was issued.² They also have the right to communicate during business hours with any Approved Participant, but only with respect to the products specified in the permit.³

MX has established two categories of permits. Under the financial derivatives category, holders may trade futures contracts and futures contracts options. Under the options category, which is not within the scope of this request, holders may trade option products other than options on futures contracts.

A permit subjects the holder to the jurisdiction of MX, during the permit’s applicability and thereafter.⁴ Permit holders have all obligations of Approved Participants, but the Special Committee may exempt them from any duty or obligation which is incompatible with, in conflict

¹ Montréal Exchange Rule 3001(c).

² Rule 3953(i).

³ Rule 3953(ii).

⁴ Rule 3954.

with, or unrelated to, their activities.⁵ Restricted permit holders must not hold other positions or have any other occupation in relation to financial or securities markets.⁶

These permits are also nontransferable.⁷

II. A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements.

To trade on the exchange, a potential Participant or Foreign Approved Participant must submit an application that demonstrates compliance with MX and regulatory requirements.

A. Professional Qualifications

Once approved as a Participant on MX, a firm must obtain individual access approvals for each of its employees it wishes to have trading access privileges. These persons are designated as SAM Authorized Persons. Unless they are not required to register by statute or regulation, these persons must be registered in a relevant category with their home jurisdiction regulator and/or, as the case may be, with a self-regulatory organization. Once approved, these persons are assigned an identification number through which they must do all their trading. Persons approved as SAM Authorized Persons are subject to the jurisdiction of MX with regard to their trading activity on MX, and so are subjected to administrative or disciplinary sanctions in cases of non-compliance with the trading rules and procedures of MX.

To be approved as a SAM Authorized Person, each applicant must complete a prescribed questionnaire and provide all relevant information and/or documentation required by MX. Upon receipt, all registration information and background (or, as the case may be, exemption from registration) is checked directly with the relevant regulator or self-regulatory organization. MX also checks if the applicant has any disciplinary or criminal history.

MX does not impose specific proficiency tests. Canadian registered entities and individuals will have taken and qualified with respect to proficiency exams. However, Canadian applicants are required to familiarize themselves with materials developed by MX that give a general overview of the trading system functionalities, clearing process, and trading rules and procedures. This requirement is optional for foreign applicants.

SAM Authorized Persons approval can be limited to specific classes of derivative instruments (*e.g.*, equity, index and currency options, or futures contracts and options on futures contracts). Although access by non-U.S. persons can be without limitation, access by U.S.-based persons is limited to MX futures contracts and options on futures contracts that have been specifically certified as eligible to be traded by the CFTC.

All information (including prescribed forms) regarding the application process to become a SAM Authorized Person can be found at: <http://reg.m-x.ca/en/approval/sam>.

⁵ Rule 3954.

⁶ Rule 3953(iii).

⁷ Rule 3953.

B. Authorization, Licensure, and Registration

If the Participant is a partnership, it must be formed under a partnership agreement governed by the laws of one of the provinces of Canada, unless it is a Foreign Approved Participant.⁸ It must be registered with a securities or derivative instruments regulator, or a recognized self-regulatory organization, unless it is a Foreign Approved Participant exempted from such registration in its home jurisdiction and subject to all other applicable restrictions.⁹ A U.S. applicant that is not registered with the CFTC because of a statutory or regulatory exemption must sign an agreement submitting to CFTC jurisdiction with respect to its trading activity on MX. Its principal business must be that of a broker or dealer in securities or derivative instruments.¹⁰ It must also be a member of the CDCC or have entered into an agreement with a member of the CDCC.¹¹ Foreign applicants must appoint a resident of Québec for service of process.¹² The partnership must not be dissolved, liquidate its assets or change its name, nor permit any partner to retire, or effect or permit any change of major position in the partners' interests in the partnership without prior notification of MX.¹³ It must not own any major position in any partnership or any corporation without prior notification to the Exchange.¹⁴ The Participant must trade the products listed on MX to an extent acceptable to MX.¹⁵

If the Participant is a corporation, it must be incorporated under the laws of Canada or one of its provinces or territories, unless it is a Foreign Approved Participant.¹⁶ The Participant must be registered with a securities or derivative instruments regulator or a recognized self-regulatory organization, unless it is a Foreign Approved Participant exempted from such registration its jurisdiction and subject to all other applicable restrictions.¹⁷ A U.S. applicant that is not registered with the CFTC because of a statutory exemption or another registration must sign an agreement submitting to CFTC jurisdiction with respect to its trading activity on the Exchange. It must be a member of the CDCC, or have entered into an agreement with a member of the CDCC.¹⁸ Its principal business must be that of a broker or dealer in securities or derivative instruments.¹⁹ It must trade the products listed on MX to an extent acceptable to MX.²⁰ Foreign applicants must appoint a resident of Québec for service of process.²¹ The corporation must not, with prior notification to MX, change its name, effect or permit any change in its constitution affecting voting rights, dissolve, wind-up, surrender its charter, liquidate its assets or take any step authorizing or with a view to such action, or effect or permit any alteration in its capital structure, including allotment, issue, transfer, re-purchase, redemption, cancellation, subdivision or consolidation of any shares in its capital stock.²² The Participant must not issue, incur or become obligated in respect of any option, warrant or agreement creating

⁸ Rule 3301(a).

⁹ Rule 3301(b).

¹⁰ Rule 3301(d).

¹¹ Rule 3301(f).

¹² Rule 3004(a).

¹³ Rule 3301(c).

¹⁴ Rule 3301(e).

¹⁵ Rule 3301(d).

¹⁶ Rule 3401(c).

¹⁷ Rule 3401(d).

¹⁸ Rule 3401(g).

¹⁹ Rule 3401(a).

²⁰ *Id.*

²¹ Rule 3004(a).

²² Rule 3401(e).

any obligation to allot, issue or transfer any share of its capital stock without prior notification to MX.²³ The corporation must not engage in any business disapproved by MX.²⁴

No person may hold a major position in the Participant without prior notification to MX, except when the holding of such a position is part of the ordinary course of activities of the securities business or derivatives instruments.²⁵ The Special Committee of the Exchange must give prior approval where the taking of a major position results in a change of control of the Participant which is likely to materially affect its operations.²⁶

All applicants must designate a director, officer, or partner as a “Designated Representative” for regulatory and service of process purposes.²⁷

C. Financial Integrity

All applicants must demonstrate adequate financial resources. They do this initially through the application. An applicant that is a registered entity and/or a member of a self-regulatory organization must submit a copy of its latest audited regulatory financial report as well as a copy of its latest monthly regulatory financial report. An applicant that is not completing audited and/or monthly regulatory financial reports must submit a copy of its latest audited financial statements. Applicants unable or unwilling to provide audited financial information in a form acceptable to MX will have their application rejected.

Applicants must also provide MX with a medium-term (three to five year) business plan outlining the extent of trading activity they expect to undertake on MX during this period.

Although MX reviews the financial information provided by applicants, it does not impose any specific regulatory financial requirements on its Participants. Since each Participant is required to be a member of a recognized self-regulatory organization or, in the case of Foreign Approved Participant, of an exchange that acts as the audit authority for regulatory financial matters, MX relies on these self-regulatory organizations or exchanges to ensure that the participant is in good standing with regard to financial regulatory requirements. Therefore, if confirmation is obtained from these self-regulatory organizations or exchanges that the applicant is in compliance with their financial requirements, no further evaluation will be made of the financial resources of the applicant.

On the other hand, if there is any indication that the applicant is not in compliance with the financial requirements of the relevant self-regulatory organizations or exchanges, or is about to be in non-compliance, then the application will either be rejected or, as the case may be, suspended until the situation is corrected. MX works in close relationship with other self-regulatory organizations and exchanges, and as a result can be very quickly informed of any issue arising in connection with regulatory financial requirements and act accordingly.

²³ Rule 3401(f).

²⁴ Rule 3401(b).

²⁵ Rule 3421(1).

²⁶ Rule 3421(2).

²⁷ Rule 3501.

Participants must file with MX, when requested, a copy of the most recent audited financial questionnaire and report completed in the form in Policy C-3 of MX's Rules.²⁸ Participants must satisfy margin requirements, in accordance with Rule 9. In addition, participants must ensure that their clients have satisfied margin requirements in accordance with Rule 7.

D. Fit and Proper

All background information regarding registration and disciplinary history is checked with the self-regulatory organization having prime audit jurisdiction on the individual employers or with the regulator. For Canadian applicants, verification of criminal background is made with the Royal Canadian Mounted Police (RCMP) for each applicant. For U.S. and UK applicants, disciplinary backgrounds are checked. Since MX does not have access to criminal records in these countries we rely by proxy on SRO or regulatory registrations or memberships; that is, MX presumes that the relevant SRO, exchange, or regulator has conducted adequate criminal background checks before granting approval.

When applying for approval, applicants are also specifically required to provide all information regarding all past and current criminal, civil and disciplinary proceedings they have been subjected to or which are still pending. They are also required to declare all past and current investigations of any nature.

²⁸ Rule 7151.