

# THE MANITOBA SECURITIES COMMISSION

NOTICE 2000-06

## THE COMMODITY FUTURES ACT

Take notice that *The Commodity Futures Act*, S.M. 1996, c.73, (except for subsection 34(c)), referred to in this notice as the Act, the *Commodity Futures Fees Regulation* (Manitoba Regulation 179/99) and the *Commodity Futures Rule-Making Procedure Regulation* (Manitoba Regulation 180/99) were proclaimed and are in full force and effect as of February 1, 2000.

The Manitoba Securities Commission, referred to in this notice as the Commission, met February 1, 2000 to deal with transitional matters required to ensure market participants trading or advising in the trading of commodity futures contracts and commodity futures options, collectively defined in the Act and in this notice as contracts, can continue to carry on business without violating certain of the provisions of the Act.

The Commission made the following decisions:

### (1.) THE WINNIPEG COMMODITY EXCHANGE ("WCE") and THE WCE CLEARING CORPORATION ("WCECC")

- The WCE was registered as a commodity futures exchange under section 15 of the Act and was recognized as a self-regulatory organization under section 14 of the Act for the period up to and including November 30, 2000.
- The WCECC was designated as the recognized clearing house for the WCE under section 16 of the Act for the period up to and including November 30, 2000.
- The WCE has made application to the Commission for registration as an exchange and for recognition as a self-regulatory organization. The WCE and WCECC have applied to have the Commission designate the WCECC as the recognized clearing house for the WCE. The decisions of the Commission will permit the WCE and the WCECC to continue to carry on business in Manitoba pending a full review of the applications.

### (2.) DEALERS AND ADVISERS

Section 24 of the Act requires registration of persons and companies who trade in contracts as dealers or advisers.

The Commission made an order under subsection 66(1) of the Act exempting the following groups from the requirements of registration up to and including November 30, 2000:

- members in good standing with the Winnipeg Commodity Exchange; and

- advisers registered under *The Securities Act* as an Investment Counsel and Broker-Dealer (Portfolio Manager) or as an Investment Dealer on the condition that registration under *The Securities Act* has not been suspended or cancelled.

This order applies to qualified persons and companies who conduct business as dealers, locals or advisers as of February 1, 2000. The order also applies to dealers, locals or advisers who commence activities requiring registration under the Act prior to the expiry date of the order.

### (3.) EXTRA - PROVINCIAL EXCHANGES AND CONTRACTS

Section 36 of the Act requires a commodity futures exchange situated outside Manitoba to be recognized by the Commission. Section 38 of the Act requires all contracts to be approved by the director of the Commission prior to a contract being traded in Manitoba.

The Commission made an order under subsections 36(3) and 38(4) of the Act on February 1, 2000 exempting extra-provincial commodity futures exchanges from the requirement to be recognized under the Act and also from the requirement to have their contracts approved by the director of the Commission. These exemptions are in effect up to and including November 30, 2000. These exemptions apply only to contracts traded through a dealer registered and permitted to trade in contracts under the Act or to a person or company that is a member in good standing with the WCE who is exempted from the requirement to be registered as discussed in paragraph (2).

### (4.) RULES

Section 71 of the Act permits the Commission to make rules that have the same force and effect as a regulation. Clause 2(d)(i) of the *Commodity Futures Rule-Making Procedure* (Manitoba Regulation 180/99) permits the Commission to enact a rule without delay where there is an urgent need for the rule.

The Commission enacted MSC Rule 2000 - 01 under clause 2(d)(i) of the Act on February 1, 2000. The rule contains the requirements for the registration of dealers, locals and advisers; the authorized and prohibited conduct of registrants; and the forms prescribed by the Act. Part 4 of the rule contains the required conditions for reliance on the registration exemptions in subsection 34(a) of the Act.

The rule as enacted does not contain requirements for segregation of client accounts, although section 46 of the Act does apply. As well, the rule does not apply to the financial reporting requirements of registrants to the Commission. Staff of the Commission are in the process of finalizing these matters to ensure requirements imposed by the rule are consistent with the requirements presently imposed on dealers.

Upon finalization of the rule, Commission Staff will request the Commission approve the publication of the rule for comment for a sixty - day period. Once enacted, the finalized version of the rule will operate to repeal the rule enacted by the Commission on February 1, 2000.

Potential registrants are reminded the registration exemption order is in effect until November 30, 2000. As Commission Staff do not anticipate significant changes to the rule enacted February 1, 2000, applicants for registration are encouraged to commence the application process in sufficient time for registration to be completed on or before November 30, 2000.

### INFORMATION AND INQUIRIES

Copies of this notice, the [order](#) granted by the Commission and the [rule](#) enacted February 1, 2000 are available at the Commission and will be posted on the Commission's web site, [www.msc.gov.mb.ca](http://www.msc.gov.mb.ca).

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