



THE MANITOBA
SECURITIES
COMMISSION

THE COMMODITY FUTURES ACT)	Order No. 7473
)	
Subsection 66(1))	February 6, 2019

MACQUARIE CAPITAL MARKETS CANADA LTD.

WHEREAS:

(A) Macquarie Capital Markets Canada Ltd. (the **Filer**) applies to The Manitoba Securities Commission (the **Commission**) for an order under subsection 66(1) of *The Commodity Futures Act*, R.S.M. 1988, c. 152 (the **CFA**), that the Designated Foreign Affiliate Employees (as defined below) of the Filer are not subject to the dealer registration requirement in the CFA when conducting Extended Hours Activities (as defined below) on the Bourse de Montréal Inc. (the **MX**), subject to the terms and conditions set out below (the **Exemption Sought**).

(B) The Filer has represented to the Commission that:

The Filer

1. The Filer is a corporation formed under the laws of Ontario. The head office of the Filer is located in Toronto, Ontario.
2. The Filer is registered as an investment dealer under the securities legislation of all the provinces of Canada; is registered as a futures commission merchant under the commodity futures legislation of Ontario and Manitoba; and is registered as a derivatives dealer under the derivatives legislation of Québec.
3. The Filer is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and an approved participant of the MX.
4. The Filer is not in default of securities, derivatives or commodity futures legislation in any jurisdiction of Canada.
5. Macquarie Bank Limited (MBL) is a corporation incorporated in Australia. The head office of the Designated Foreign Affiliate is located in Sydney, Australia.
6. The Applicant and MBL are each wholly-owned (indirect) subsidiaries of the same ultimate parent entity, Macquarie Group Limited (MGL).
7. MGL carries on business in the United Kingdom and Australia.

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A DIVISION OF THE MANITOBA FINANCIAL SERVICES AGENCY

8. MBL is an Australia-based financial service provider, which is authorized and regulated by the Australian Prudential Regulation Authority (APRA). MBL is also authorized and regulated by the Australian Securities & Investments Commission pursuant to an Australian Financial Services License (AFSL).
9. MBL carries on business in the United Kingdom through a branch office, Macquarie Bank Limited (London Branch) (**MBL London** and, together with MBL, the Designated Foreign Affiliates), located in London, England and is authorized and regulated by APRA, and subject to regulation by both the United Kingdom Financial Conduct Authority as well as the United Kingdom Prudential Regulation Authority.
10. The Designated Foreign Affiliates hold memberships and/or have third-party clearing relationships with commodity and financial futures exchanges and clearing associations, including the Australian Stock Exchange. The Designated Foreign Affiliates may also carry positions reflecting trades executed on other exchanges through affiliates and/or third-party clearing brokers.
11. The Filer wishes to make use of certain designated employees of the Designated Foreign Affiliates (Designated Foreign Affiliate Employees) to handle trading requests on the MX from the Filer's clients and the Filer on a proprietary basis during the MX's extended trading hours from 2:00 a.m. ET to 6:00 a.m. ET each day on which the MX is open for trading (the Extended Hours Activities).

The MX Extended Trading Hours Amendments

12. The MX, based in Montréal, Québec, operates an exchange for options, commodity futures contracts and commodity futures options, and offers access to trading in those to market participants in Canada.
13. On July 9, 2018, the MX announced that the MX had approved amendments to its rules and procedures in order to accommodate the extension of the MX's trading hours. As a result of these amendments, since October 9, 2018, trading of certain products on the MX now commences at 2:00 a.m. Eastern Time (ET) rather than the previous 6:00 a.m. ET.
14. As set out in MX Circular 111-18, in order to accommodate this earlier trading, the MX amended its rules to allow participants on the MX to have employees of affiliated corporations, including foreign affiliates, become an approved person of the MX participant and thus be able to handle trading requests originating from the MX participant's clients or the MX participant on a proprietary basis.

Application of the dealer registration requirement in the CFA to Designated Foreign Affiliate Employees

15. The Filer is an MX approved participant and the Designated Foreign Affiliates are affiliated entities. The Filer wishes to make use of the Designated Foreign Affiliate Employees to conduct the Extended Hours Activities.
16. The dealer registration requirement in the CFA requires an individual to be registered to act as a dealing representative on behalf of a registered firm. The Exemption Sought is intended to provide the Filer with an exemption from (i) the requirement that the Filer use only registered dealing representatives to conduct the Extended Hours Activities; and (ii) the requirement that the Designated Foreign Affiliate Employees who will be conducting the Extended Hours Activities be registered as dealing representatives of the Filer.
17. The Filer seeks an exemption from the dealer registration requirement in the CFA because, in the absence of such exemption, each Designated Foreign Affiliate Employee who was to trade on behalf of the Filer would be required to become individually registered and licensed in Canada. The Filer believes this is duplicative since the Designated Foreign Affiliate Employees are certified under applicable United Kingdom law and Australia law and supervised by the Filer's Designated Supervisors (as defined below) and are otherwise subject to the conditions set forth below. The Filer believes the dealer registration requirement is unduly onerous in light of the limited trading activities the Designated Foreign Affiliate Employees will be conducting and only during the period from 2:00 a.m. ET to 6:00 a.m. ET.
18. The Filer has also applied to, and obtained from, IIROC an exemption from the registered representative requirements that are found in IIROC Dealer Member Rules 18.2, 18.3 and 500.2 and the requirement to enter into an employee or agent relationship with the person conducting securities related business on its behalf that is found in IIROC Dealer Member Rule 39.3 (the IIROC Relief).
19. The IIROC Relief obtained by the Filer is subject to certain conditions, including:
 - (a) the Designated Foreign Affiliate Employees must be registered/licensed under the applicable laws of the United Kingdom or Australia in a category that permits trading the types of products which they will be trading on the MX;
 - (b) the Designated Foreign Affiliate Employees will be permitted to accept and enter orders from clients of the Filer or orders from the Filer on a proprietary basis during the period from 2:00 a.m. ET to 6:00 a.m. ET, and will not be permitted to give advice;
 - (c) the Filer retains all responsibilities for its client accounts;

- (d) the actions of the Designated Foreign Affiliate Employees will be supervised by specific designated supervisors of the Filer (the **Designated Supervisors**), each of whom is qualified to supervise trading in futures contracts, futures contract options and options;
- (e) the Filer and each Designated Foreign Affiliate must jointly and severally undertake to ensure IIROC has, upon request, prompt access to the audit trail of all trades that relate to Extended Hours Activities and records relating thereto;
- (f) the Exemption Sought would apply to Designated Foreign Affiliate Employees who are designated and recorded on a list maintained by the Applicant, which list must be provided to IIROC in writing and updated on at least an annual basis;
- (g) the Filer and each Designated Foreign Affiliate Employee will enter into an agency arrangement pursuant to which the Filer will assume all responsibility for the actions of the Designated Foreign Affiliate Employees and of each Designated Foreign Affiliate that relate to the Filer's clients regarding this trading on MX, and the Filer will acknowledge that it will be liable under IIROC rules for such actions;
- (h) all MX trading rules will apply to orders entered by the Designated Foreign Affiliate Employees;
- (i) other than individual registration, all other existing Canadian regulatory requirements would continue to apply to this arrangement, including without limitation:
 - i.* the Filer's client accounts would continue to be carried on the books of the Filer;
 - ii.* all communications with the Filer's clients will continue to be in the name of the Filer; and
 - iii.* the Filer's client account monies, security and property will continue to be held by the Filer;
- (j) The Filer will establish and maintain written policies and procedures that address the performance and supervision requirements relating to MX extended trading hours; and
- (k) The Filer will disclose this extended trading hours arrangement to clients for its MX trading services and provide specific instructions concerning the placement of orders relating thereto.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the Exemption Sought.

IT IS ORDERED THAT under subsection 66(1) of the CFA that the Filer is hereby exempt from the dealer registration requirement under subsection 24(1)(a) of the CFA, provided that:

- (a) the Designated Foreign Affiliates and the Designated Foreign Affiliate Employees are registered, licensed, certified or authorized under the applicable laws of the foreign jurisdiction in which the head office or principal place of business of the Designated Foreign Affiliate is located in a category that permits trading the type of products which the Designated Foreign Affiliate Employees will be trading on the MX;
- (b) the Designated Foreign Affiliate Employees are permitted to accept and enter orders from clients of the Filer or orders from the Filer on a proprietary basis during the period from 2:00 a.m. ET to 6:00 a.m. ET, and will not be permitted to give advice;
- (c) the Filer retains all responsibilities for its client accounts;
- (d) the actions of the Designated Foreign Affiliate Employees will be supervised by the Designated Supervisors, each of whom is qualified to supervise trading in futures contracts, futures contract options and options;
- (e) the Filer and the Designated Foreign Affiliate Employees enter into an agency arrangement substantially as described in paragraph 19(g), and such arrangement remains in effect; and
- (f) the Filer remains in compliance with the terms and conditions of the IIROC Relief.

BY ORDER OF THE COMMISSION



Director