

Citation: 2023 BCSECCOM 166

Exemption Order

Bloomberg Tradebook Singapore Pte Ltd.

Section 33(1) of the *Securities Act*, R.S.B.C. 1996

¶ 1 Background

Bloomberg Tradebook Singapore Pte Ltd. (the Filer) has filed an application (the Application) with the British Columbia Securities Commission (the Commission) under section 33 of the *Securities Act* (British Columbia) (the Act) for an exemption from the requirements of;

- (a) section 25 of the Act;
- (b) National Instrument 21-101 Marketplace Operation (NI 21-101);
- (c) National Instrument 23-101 Trading Rules (NI 23-101); and
- (d) National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (NI 23-103) (the Requested Relief).

¶ 2 Interpretation

Terms defined in the Act, National Instrument 14-101 Definitions, NI 21-101, NI 23-101, NI 23-103 and Multilateral Instrument 91-101 Derivatives: Product Determination have the same meaning if used in this decision, unless otherwise defined.

In this decision,

“BC Member” means a participant of the Organized Market (defined below) (Member) that has its headquarters or legal address (e.g., as indicated by a participant’s Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders’ physical location (inclusive of non-British Columbia branches of British Columbia legal entities), as well as any trader physically located in British Columbia who conducts transactions on behalf of any other entity; and

“Member” means a participant approved by the Filer that has access to the Organized Market in accordance with the rules of the Organized Market (the Market Rulebook), provided that such access has not been terminated.

¶ 3 Representations

This decision is based on the following representations of the Filer:

1. The Filer is a private limited company under the laws of Singapore.
2. The Filer is a wholly owned subsidiary of Bloomberg L.P. (BLP), a Delaware limited partnership.

3. The Filer is not in default under securities legislation in the Province of British Columbia.
4. The Filer operates a platform (Organized Market) that offers trade negotiation functions for the following instruments (BC Instruments) to BC Members:
 - (a) “Foreign Debt Securities” which are any debt security (as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)) that is a foreign security (as defined in NI 31-103) or a debt security that is denominated in a currency other than the Canadian dollar, including (i) debt securities issued by the United States (U.S.) government (including agencies or instrumentalities thereof); (ii) debt securities issued by a foreign government; (iii) debt securities issued by corporate or other non-governmental issuers (U.S. and foreign); (iv) asset-backed securities (including mortgage backed securities); (v) other debt securities including, for greater certainty, convertible debt securities and money market instruments (U.S. and foreign), including commercial paper, agency discount notes, certificates of deposit, bankers' acceptances, promissory notes, guaranteed investment certificates (GICs) and bearer deposit notes, denominated in either U.S. or foreign currencies; and;
 - (b) derivatives, including: (i) interest rate swaps (IRS), as defined in section 1a(47) of the U.S. *Commodity Exchange Act*; (ii) credit default swaps (CDS), as defined in section 1a(47) of the U.S. *Commodity Exchange Act* and single-name security (credit default swaps); (iii) foreign exchange swaps (FX), as defined in section 1a(47) of the U.S. *Commodity Exchange Act* (but without regard to any exclusions from the definition), including precious metals swaps;
 - (c) foreign exchange spot and deposits;¹ and
 - (d) “Foreign Non-Debt Securities” which are any foreign securities as defined in NI 31-103 that are not debt securities as defined in NI 31-103, including: (i) securities of foreign exchange-traded funds, which refers to a fund in continuous distribution that is incorporated, formed or created under the laws of a foreign jurisdiction; and (ii) stock loans, which refer to securities lending arrangements in which securities are temporarily transferred from one party (the lender) to another party (the borrower) in return for a fee.

Pursuant to a marketplace conduit arrangement with the Filer’s Canadian alternative trading system affiliate, Bloomberg Tradebook Canada Company (Tradebook Canada), the Filer provides transaction negotiation services for unlisted debt securities, as that term is defined in NI 21-101, and any debt

¹ For greater certainty, these include precious metals spot and commodity spot contracts.

securities denominated in Canadian dollars (Canadian Debt Securities), as set out in the terms and conditions to the Ontario Securities Commission's order in In the Matter of Bloomberg Tradebook Canada Company (2021), 44 OSCB 6772. Following the date that the Commission grants the Requested Relief, the Filer will continue to provide transaction negotiation services for Canadian Debt Securities only under the marketplace conduit arrangement with Tradebook Canada.

13. The Filer, through the Organized Market, only offers trade negotiation functions permitted in its Market Rulebook. Its services do not include the execution, clearing, settlement of trades or the provision of custodial services for its members.
14. The Filer received its current approval from the Monetary Authority of Singapore (MAS) on August 5, 2021 to operate the Organized Market as a Recognized Market Operator (RMO) in Singapore, under the Securities and Futures Act in Singapore (the Singapore Act). The Filer is subject to regulatory supervision by MAS and is required to comply with the Singapore Act and any applicable Singapore laws, subsidiary legislation and, notices issued by MAS.
15. The Filer requires its members in Singapore to be Professional Investors, Accredited Investors or Expert Investors as defined in the Filer's RMO recognition letter from MAS and the Singapore Act.
16. The Filer wishes to make BC Instruments on the Organized Market available to BC Members and may therefore be considered to be carrying on business as an exchange in British Columbia.
17. The Organized Market would be accessible to BC Members by way of secure direct electronic access via Bloomberg Terminal or a third party application programming interface.
10. To become a BC Member, a participant must meet the admission criteria set out in the participant agreement and the Market Rulebook and complete a Canada User Acknowledgement. A Member must also inform the Filer if any of these criteria are no longer met. The Market Rulebook and/or the Canada User Acknowledgment include requirements that the BC Member:
 - (a) be appropriately registered, exempt from registration or not required to be registered under British Columbia securities laws;
 - (b) complies and will continue to comply with the Market Rulebook;
 - (c) have adequate experience, knowledge and competency to negotiate trades in the instruments offered by the Organized Market;
 - (d) have legal capacity to negotiate trades in the instruments offered by the Organized Market;
 - (e) have pre-established arrangements to clear or settle the trades negotiated using quotes obtained on the Organized Market;

- (f) have and maintain a valid Legal Entity Identifier (LEI) compliant to ISO 17442 standard, obtained from a Central Operating Unit that is part of the Global LEI database; and
- (g) is not a natural person, an independent software provider, a trading venue or an unregulated trading platform or system.

The Canada User acknowledgement requires a BC Member to make an ongoing representation that it continues to meet the criteria each time it uses the Organized Market.

11. When accessing the Organized Market, BC Members will be subject to the same requirements and will have access to the same services, on equivalent terms, as Members resident in other jurisdictions.
12. The Filer does not and will not have physical operations in the Province of British Columbia.
13. The Filer's physical office is located in Singapore.
14. The Filer has established a framework to evaluate risks and materiality of outsourcing arrangements that are in compliance with MAS's requirements relating to outsourcing of relevant functions related to the operation of the Organized Market.
15. The Filer, the Organized Market and where applicable, Members of the Organized Market will be regulated by MAS under the Singapore Act, as amended from time to time.
16. MAS has the authority and procedures for oversight of the Filer and the Organized Market. This will include periodic oversight reviews of the Filer and the Organized Market by MAS.
17. The Filer maintains a compliance program to ensure compliance with MAS' rules and requirements (as applicable to the Filer) pertaining to:
 - (a) business conduct, including members categorization, communication with members and other investors protection arrangements;
 - (b) market conduct, including business practices and operations of the Organized Market; and
 - (c) systems and controls including, governance, conflict of interest, outsourcing and record-keeping.
18. The Filer has an applicable market surveillance and monitoring program to ensure effective oversight of applicable trading activities on the Organized Market and to prevent breaches of the rules, market manipulation, price distortion, disorderly market and abusive conduct behaviour.

19. If the Filer identifies breaches of the Market Rulebook it will impose appropriate sanctions on its Members in accordance with the procedures described in the Market Rulebook.
20. If the Filer identifies material suspicious activities and incidents of fraud, it will refer the matter to MAS, in accordance with applicable legislation, regulation or rules.
21. All members of the Board of Directors of the Filer (the Board) have the necessary skills and experience to effectively manage the operational and strategic vision of the Filer. MAS does not require an RMO to have independent directors.
22. All Board members appointed by the Filer must meet the requirements under section 33(1)(i) of the Singapore Act and are recommended to comply with MAS' Fit and Proper Guidelines.
23. The Board has the ultimate responsibility for the management of the Filer, including the management of the operation of the Organized Market to ensure that it complies with all applicable rules, policies and procedures, including securities legislation, and that it meets its public interest mandate.
24. The Board is responsible for ensuring that the Filer has an effective framework in place to respond to business, financial, compliance and other risks.
25. The Board is accountable for putting in place a management framework and implementing systems, controls and procedures designed to identify, escalate and manage conflicts of interest in accordance with the requirements under the Singapore Act and guidance under MAS Guidelines on Risk Management Practices.
26. Pursuant to the Notice on Capital Requirements For Recognised Market Operators That Are Formed Or Incorporated In Singapore (SFA 02-N04), the Filer maintains the liquidity and solvency requirements according to SFA 02-N04. To facilitate MAS' ongoing monitoring of the Filer, the Filer provides a copy of its audited financial statements to the MAS on an annual basis.
27. The "relevant product" instruments (including BC Instruments) offered on the Organized Market received prior authorisation from MAS, and must be assessed and certified annually as required by MAS (as applicable).
28. The Access Standards and the process for obtaining, limiting and denying access to the Organized Market are fair, transparent and applied reasonably. In applying these access standards, the Filer, in operating the Organized Market, will not:
 - (a) unreasonably prohibit, condition or limit access by a person to services offered by it;
 - (b) permit unreasonable discrimination among Members; or

- (c) impose any burden on competition that is not reasonably necessary and appropriate.
29. The Filer will have the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions associated with the operation of the Organized Market, including setting requirements governing the conduct of its Members, monitoring their conduct, and appropriately disciplining them for violations of the Market Rulebook.
30. The Market Rulebook is:
- (a) designed to appropriately govern the operations and activities of Members;
 - (b) will permit the denial or limitation of a Member's access to the Organized Market or products, and require the reporting of the Member to MAS if appropriate.
 - (c) will be supervised by the Filer's Compliance Department;
 - (d) not contrary to the public interest and is designed to:
 - (i) ensure compliance with applicable legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) ensure that a Member's order or trade information are only disclosed in accordance with the terms of the participant agreement and the Market Rulebook;
 - (v) provide a framework for disciplinary and enforcement actions; and
 - (vi) ensure a fair and orderly market.
31. For any decision made by the Filer in connection with the operation of the Organized Market that affects a Member, or an applicant to be a Member, including a decision in relation to access, exemptions, or discipline, the Filer will ensure that:
- (a) parties are given an opportunity to be heard or make representations; and
 - (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.
32. To the extent it is consistent with the laws of Singapore, the operation of the Organized Market will adhere to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

33. The Filer has appropriate internal controls to ensure completeness, accuracy, integrity and security of information within the Organized Market's critical systems (the Information) that are applicable to the Organized Market, and these critical systems have sufficient capacity and are subject to business continuity plans that are reasonably designed to enable the Filer to properly operate the Organized Market. Critical systems are those that support the following functions (as applicable for the Organized Market):
 - (a) order entry;
 - (b) order routing;
 - (c) execution;
 - (d) trade reporting;
 - (e) trade comparison;
 - (f) data feeds;
 - (g) market surveillance;
 - (h) trade clearing; and
 - (i) financial reporting.
34. The Filer has implemented procedures to reasonably ensure that the Organized Market's critical systems are designed to ensure completeness, accuracy, integrity and security of the Information, and has sufficient capacity and business continuity plans.
35. The Filer periodically tests components of its critical system, including but not limited to, security intrusion tests, capacity tests, regression tests, stress tests and redundancy tests.
36. The Filer will have and maintain adequate systems in place for the keeping of books and records with respect to the Organized Market, including, but not limited to, those concerning the operations of the Organized Market, audit trail information on all request messages and quotes, to ensure compliance with, and support reporting of violations of, Organized Market requirements.
37. Where the Filer has outsourced any of the key services or systems of the Organized Market to a service provider, it has appropriate and formal arrangements and processes in place that are designed to ensure that the Filer and the Organized Market meet their obligations with respect to the operation of the Organized Market, including applicable regulatory requirements.
38. With respect to fees applicable on the Organized Market:
 - (a) the fee structure imposed by the Filer is sufficiently granular to allow Members to predict the fees payable based on the following elements:

- (i) chargeable services,
 - (ii) fee for each service, and
 - (iii) rebates, incentives or disincentives;
- (b) the fee is reasonable and equitable for all Members, and will not have the effect of creating unreasonable conditions or limits on access by Members to the services offered by the Organized Market; and
- (c) the process for setting fees will be fair and appropriate, and the fees will be transparent to all Members;

¶ 4 Order

Based on the representations that the Filer provided and considering that to do so would not be prejudicial to the public interest, the Commission orders under section 33(1) of the Act that the Requested Relief is granted on the following terms and conditions:

1. The Filer will promptly provide the Commission when requested either directly or through MAS, as the case may be, any information in the custody or control of the Filer, relating to BC Members, the operations of the Organized Market and compliance with this decision.
2. The Filer will promptly notify the Commission of any of the following:
 - (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:
 - (i) changes to the regulatory oversight of the Filer or the Organized Market by MAS;
 - (ii) the corporate governance structure of the Filer;
 - (iii) the access model, including eligibility criteria, for BC Members; and
 - (iv) critical systems and technology;
 - (b) any change that may materially affect the accuracy of the representations;
 - (c) any condition or change in circumstances that make the Filer unable to meet the regulatory requirements of MAS;
 - (d) any revocation or suspension of the Filer's ability to operate the Organized Market in Singapore or in any other jurisdiction;
 - (e) any known investigations of, or disciplinary action against, the Filer by MAS or any other securities regulatory authority; and

- (f) any matter known to the Filer that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption.
3. The Filer will provide, in a manner and form acceptable to the Commission, on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:
- (a) a current list of BC Members, including the LEI;
 - (b) a list of all BC Members against whom disciplinary action has been taken in the last semi-annual period by the Filer;
 - (c) a list of all prospective BC Members who applied for status as a Member that were denied such status during the semi-annual period;
 - (d) a classification of all instruments available on the Organized Market during the semi-annual period, identifying any additions, deletions or changes since the prior semi-annual period;
 - (e) for each class of instrument available to BC Members on the Organized Market:
 - (i) the total volume and value originating from each BC Member; and
 - (ii) the proportion of worldwide volume and value on the Organized Market conducted by BC Members.
 - (f) a list outlining each incident of a significant system outage that occurred at any time during the semi-annual period for any system impacting BC Members, including making requests, routing or data, specifically identifying the date, duration and reason for the outage, and noting any corrective action taken.
4. The Filer will promptly provide staff of the Commission copies of the Market Rulebook, and material amendments to the Market Rulebook, that it files with MAS.
5. The Filer will provide to its BC Members, prior to the first use of the facilities of the Organized Market by that BC Member, disclosure that states that:
- (a) rights and remedies against the Filer may only be governed by the laws of New York and may be required to be pursued in such jurisdiction;
 - (b) the rules applicable to using the facilities on the Organized Market will be governed by the laws of New York; and
 - (c) the Organized Market is regulated by MAS, rather than the Commission.

6. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Filer or the operation of the Organized Market, the Filer will submit to the non-exclusive jurisdiction of the courts of British Columbia and the Commission.
7. The Filer will file with the Commission an appointment of an agent for service in British Columbia upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or proceeding relating to the Commission's regulation and oversight of the Filer's activities and the Organized Market's operations in British Columbia.

April 12, 2023

Brenda Leong
Chair and CEO
British Columbia Securities Commission