



British Columbia
Securities Commission

MEMORANDUM

To CSA Executive Directors Committee

cc Sandy MacDonald, CSA Systems Office
Ann Leduc, CSA Secretariat

From Peter Grant
Director, Information Management and CIO

Date February 14, 2006

Subject National Cease Trade Order Database - subscriber survey results

I. Executive summary

The BCSC's Information Management and Capital Markets Regulation divisions developed a survey on behalf of the CSA to assess the effectiveness of the National Cease Trade Order (CTO) Database. We sent the survey by email to the database's 155 subscribers on December 7, 2005 and received 73 responses (a response rate of 47%).

Only 49% of the respondents said the system currently meets its goal to help advisers avoid trading in cease-traded securities and avoid trading for cease-traded clients. Most others (48%) feel the current system only partially meets this goal.

The database is primarily used to access issuer CTOs.

Key areas of dissatisfaction with the current system

- 1) Subscribers consider the search function unreliable as it returns inconsistent results
- 2) Cannot easily generate, view, and download a list of all outstanding orders
- 3) CUSIP and symbol information not complete and not obvious

Desired enhancements

- 4) Browse orders by issuer name
- 5) Add ISINs and perhaps US symbols – show these on the alerts as well
- 6) Maintain the database to reflect company reorganizations and name changes
- 7) Offer alerts using RSS (XML) in addition to email

Content and other issues

- 8) Coverage – should include orders from all jurisdictions and all historical orders
- 9) Would like back-office systems to prevent order-taking based on this data
- 10) Would like orders in plain language
- 11) Would like a phone number to call for urgent help with CTO issues

- 12) Would like orders available in both official languages
- 13) For non-issuer CTOs, it's hard to identify and match people using the names provided
- 14) Orders against individuals are often complicated, difficult to understand, and sometimes ambiguous

Many respondents find it difficult to use the management and individual CTOs. We believe many dealers continue to trade on behalf of individuals and management who are subject to CTOs.

II. A more detailed analysis

Viewing issuer CTOs on the website is the most frequent activity, with 49% viewing them daily and 14% weekly. 64% are satisfied or very satisfied with the CTOs available on the website. Dissatisfied users would like alternate ways to find CTOs and several mentioned that they would like to be able to browse by company name. They also cannot determine the coverage of the database and would like the coverage to be comprehensive for all jurisdictions and include older orders. Some subscribers have problems when issuers change name or become defunct. They suggested that we update the database to reflect these changes, or that we remove CTOs for companies that no longer exist.

Respondents use non-issuer CTOs less than issuer CTOs. Viewing non-issuer CTOs is the third most frequent task; 31% of subscribers view them daily or weekly. Firms are having difficulty verifying the identity of individuals because there is no identifying information such as birthdates. The data would be better if commissions consistently provided full names, including middle names.

The most frequent comment was that the database search engine was unreliable and produced faulty results. Respondents have little trust in their search results and several people indicated that they must still verify information with individual commissions. Searching was the second most frequent activity and 42% search on a daily or weekly basis. This task received the highest percentage of dissatisfied users, 29%.

There is a general desire to get a list of all CTOs that are issued and outstanding. A number of respondents could not determine how to get this list and pointed out the search options don't support this search.

Prior to the survey, we believed that many subscribers used the Excel file to automate the updating of back office systems. However, 39% rarely or never download the file. Written responses indicate that many firms are manually updating their systems using the email alert, keeping a current list of active CTOs on site, or simply forwarding the CTO email alerts to staff. Firms are having a difficult time matching on the name, symbol, and CUSIP number. Several firms mentioned that adding the data to marketplace and quotation systems would be a more worthwhile endeavour since the number of companies offering these services is small while the number of dealers is large.

We added CUSIP numbers and symbols to the system to facilitate matching but comments indicate that some subscribers were not aware of this addition. 49% of subscribers feel that the addition of CUSIP numbers will be very useful and 42% agree that symbols will also be very useful. In practice, there are some problems with these numbers. A number of people said that the numbers are not accurate. Some elaborated further and pointed out that the system uses a six digit CUSIP and firms use a nine-digit number. In addition, issuers may trade in several markets and their stocks will have multiple symbols.

The alert has high satisfaction with users; 71% are satisfied or very satisfied. 43% forward the email to compliance staff, 37% use it to update back office systems, and 30% forward it to sales staff. Subscribers would like to see the symbols and CUSIP numbers added to the alert and a number of users would like to receive notification only once a day.

Really Simple Syndication (RSS) is a new way to push information to subscribers in XML format. About 52% of respondents would find an RSS feed to be useful for issuer CTOs and 46% would find it useful for non-issuer CTOs. As expected, a high percentage of respondents did not know enough about RSS to determine its usefulness. There is a lot of support to provide both immediate and daily feeds of data. One subscriber expressed interest in having the Excel file pushed out.

III. Categorized comments

Search

- Search results are wrong/unreliable (12)
- Not user friendly (6)
- The search function does not allow me to search for orders that are currently "issued AND outstanding (3)
- Can't get a list of all CTOs (2)
- Allow searching by CUSIP
- Isolate mutual fund issuers
- Confirm negative results

Browse

- Would like an alphabetical list of companies
- System should be designed to list ALL securities that match or logically would match the attempt search text

Coverage

- Old CTOs are not included - add (3)
- Don't know coverage of the system. Still have to check with provincial regulators (2)

Alerts

- Separate issuer and non-issuer alerts
- Send once a day (2)
- What to receive a file to reconcile against local systems
- Forward to trading staff (5)
- Add CUSIP/symbols (5)
- Add alerts for name changes

Reconciling with local systems

- Can't reconcile with local list (3)
- Can't reconcile personal CTOs with clients because there is not enough identifying information (2)
- Can't prevent trading unless database directly linked to trading system (4)
- Integrate with marketplaces – small number of them versus large number of dealers, IBM, Dataphile, Reuters, E*Trade etc. (5)
- Flag on quotation systems (2)
- Not all orders on an order management system so any download would only be partially successful
- Use FTP (2), XML
- Push data file
- Update information immediately
- Provide a complete list of active non-issuer CTOs to download
- Be consistent in names of individuals and provide full information

Content

- Make the reasons for CTOs start and stop dates clearer (1)
- Can't determine if the company is defunct. Update content on reorganization or name change (4)
- Can't determine identify for non-issuers. Add information to personal CTOs to permit accurate identification (birthdates, etc.) (2)
- Hard to determine difference between temporary and real CTOs or issued and revoked
- Status of CTOs vary by province – consolidate jurisdictions (3)
- Old content is not removed and interferes with trades of new securities using the same name/ short and permanent bans mixed/ database too large to be useful (3)
- Quebec CTOs in French only (3)
- Tell if the issuer is inter-listed
- Short-lived CTOs – BC has a lot revoked within 48 hours

CUSIP and Symbols

- CUSIP and symbols not available for all securities (2)
- CUSIPs are abbreviated. Need complete 9 digit (3)
- Did not know the system included CUSIP and symbol (6)
- CUSIPs are great (2)
- Provide both Canadian and US symbols (2)
- CUSIP and/or symbol not accurate (3)

- CDS now uses only ISIN's - add them
- Symbols not updated and then are recycled for new companies (2)
- Symbols are different depending upon marketplace
- Find a way to prohibit entry of orders in the US for those who rely upon trading desks where the systems do not have blocks based on symbol or CUSIP number

Excel File

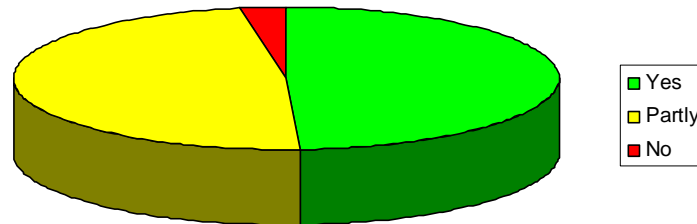
- Does not include the official notice

Help

- Provide help number to call with urgent issues about CTOs
- Advise when we know of a company cease-traded in Canada who seeks a listing in another country (4)
- Use plain language, avoid legal jargon
- Advise sales staff and traders on what a cease-trade order means

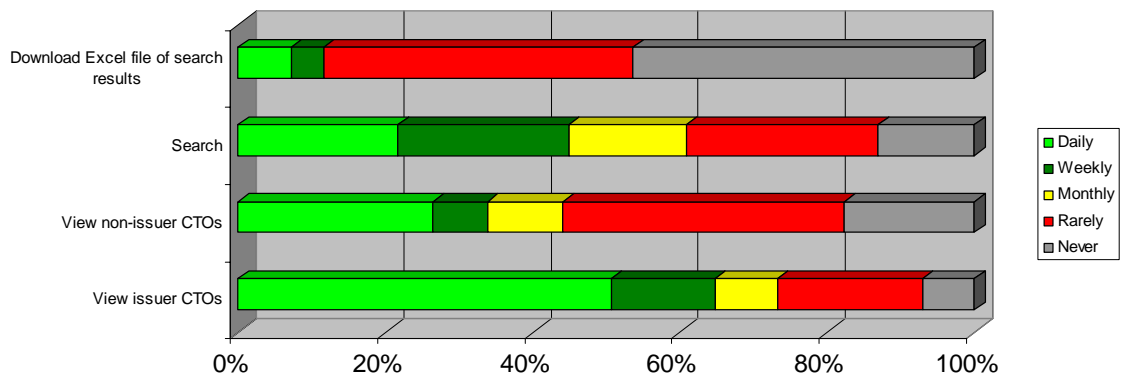
IV. The survey's questions and detailed responses

1. The CSA provides the National CTO Database to help dealers and advisers avoid trading in cease-traded securities and avoid trading for cease-traded clients. Does the current CTO Database achieve that goal?



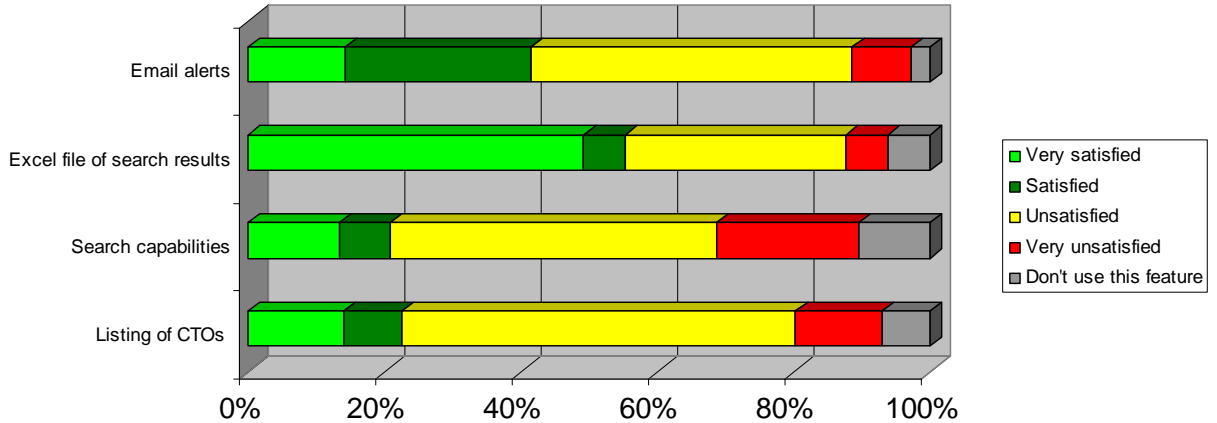
2. How often do you:

- Download the Microsoft Excel file of search results
- Search
- View non-issuer CTOs on the website
- View issuer CTOs on the website



3. How satisfied are you with the following features?

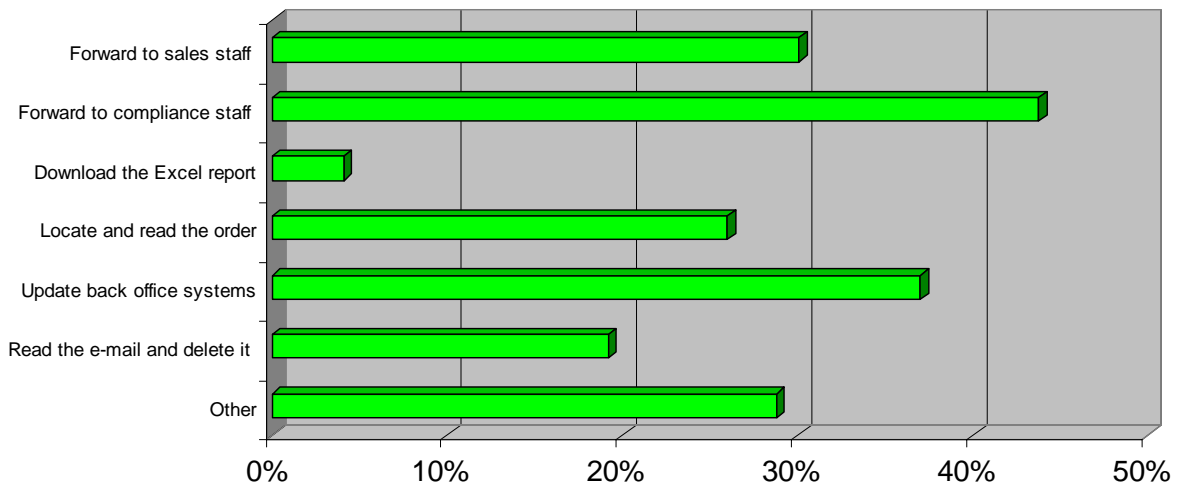
- Email alerts
- Microsoft Excel file of search results
- Search capabilities
- Listing of CTOs on the website



4. Why are you unsatisfied with features of the CTO Database and what could we do to increase your satisfaction? *Please see the categorized comments section of this memo.*

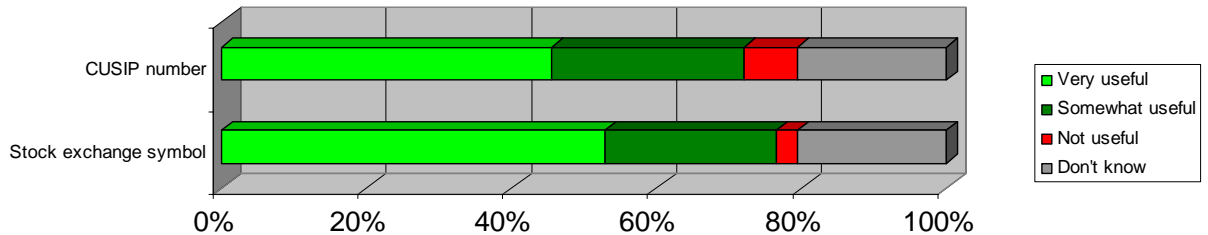
5. Subscribers to the CTO Database receive email notification when the database is updated with new information. What does your organization do with this information? Pick all that apply.

- Forward the email to sales staff within your organization
- Forward the email to compliance staff within your organization
- Download the Microsoft Excel report
- Locate and read the order
- Update back office systems
- Read the email and delete it
- Other



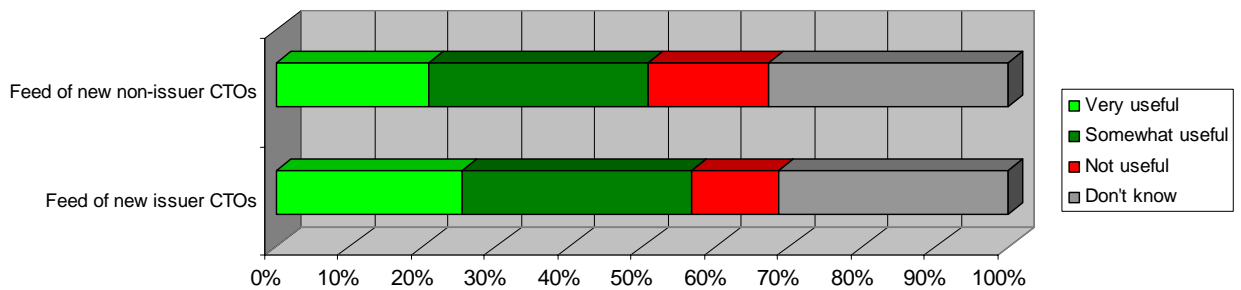
6. We recently added stock exchange symbols and CUSIP numbers to the CTO Database. They are available to subscribers after login. How useful are these new features?

- Stock exchange symbol for the security
- CUSIP number for the security



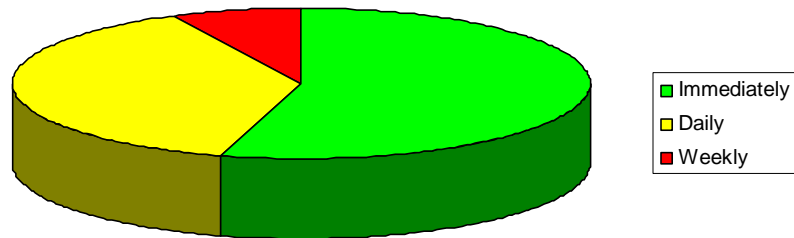
7. In addition to the email alert, we are considering adding new notification services. How useful would you find the following notification features:

- RSS feed of new issuer CTOs
- RSS feed of new non-issuer CTOs



8. How often would you like notification to be sent?

- immediately, when CTO information changes
- daily
- weekly



9. What changes can we make to improve your ability to automate downloads of CTO data into your back office systems? *Please see the categorized comments section of this memo.*

10. What other improvements would help dealers and advisers avoid trading in cease-traded securities and for cease-traded clients? *Please see the categorized comments section of this memo.*