

PROVINCE OF BRITISH COLUMBIA

RULE OF THE BRITISH COLUMBIA SECURITIES COMMISSION

*Securities Act*

The British Columbia Securities Commission

- (a) orders that, effective September 14, 2020, National Instrument 21-101 Marketplace Operation, B.C. Reg. 251/2001, is amended as set out in the attached Schedule A, and
- (b) pursuant to sections 10 and 11 of the Regulations Regulation, B.C. Reg. 394/83, approves the revisions of National Instrument 21-101 Marketplace Operation, B.C. Reg. 251/2001, set out in the attached Schedule B.

DEPOSITED

September 4, 2020

B.C. REG. 226/2020



September 3, 2020

Date

British Columbia Securities Commission

*(This part is for administrative purposes only and is not part of the Order.)*

**Authority under which Order is made:**

Act and section: Securities Act, R.S.B.C. 1996, c. 418, s.184

Other: Regulations Regulation, B.C. Reg. 394/83, s. 9

R10401521

## SCHEDULE A

1. ***National Instrument 21-101 Marketplace Operation, B.C. Reg. 251/2001, is amended as set out in this Schedule.***
2. ***Section 3.2 is amended***
  - (a) ***in subsection (2) by replacing “seven” with “15”,***
  - (b) ***in subsection (3) (a) by replacing “month” with “calendar quarter”, and***
  - (c) ***by adding the following subsection:***
    - (6) For the purposes of subsection (5), if information in a marketplace’s Form 21-101F1 or Form 21-101F2, as applicable, has not changed since the marketplace filed its most recent Form 21-101F1 or Form 21-101F2 under subsection (5), the marketplace may incorporate that information by reference into its updated and consolidated Form 21-101F1 or Form 21-101F2.

3. ***Part 4 is amended by adding the following section:***

### **Filing of interim financial reports**

**4.3** A recognized exchange and a recognized quotation and trade reporting system must file interim financial reports for each interim period, within 60 days after the end of the interim period, prepared in accordance with paragraphs 4.1 (1) (a) and (b).

4. ***Section 12.1 (a) (i) is replaced with the following:***
  - (i) adequate internal controls over those systems, and.
5. ***Section 12.1 (a) (ii) is amended by adding “cyber resilience,” after “information security,”.***
6. ***Section 12.1 (b) (ii) is amended by deleting “and” at the end of the paragraph.***
7. ***Section 12.1 (c) is amended by***
  - (a) ***deleting “material”,***
  - (b) ***replacing “breach” wherever it occurs with “incident”,***
  - (c) ***adding “that is material” before “and provide timely”, and***
  - (d) ***adding “, and” at the end of the paragraph.***

**8. Section 12.1 is amended by adding the following paragraph:**

- (d) keep a record of any systems failure, malfunction, delay or security incident and identify whether or not it is material.

**9. Section 12.1.1 is repealed and the following substituted:**

**Auxiliary Systems**

**12.1.1** For each system that shares network resources with one or more of the systems, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, that, if breached, would pose a security threat to one or more of the previously mentioned systems, a marketplace must

- (a) develop and maintain adequate information security controls that relate to the security threats posed to any system that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing,
- (b) promptly notify the regulator, or in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any security incident that is material and provide timely updates on the status of the incident, the resumption of service, where applicable, and the results of the marketplace's internal review of the security incident, and
- (c) keep a record of any security incident and identify whether or not it is material.

**10. The following section is added:**

**Vulnerability Assessments**

**12.1.2** On a reasonably frequent basis and, in any event, at least annually, a marketplace must engage one or more qualified parties to perform appropriate assessments and testing to identify security vulnerabilities and measure the effectiveness of information security controls that assess the marketplace's compliance with paragraphs 12.1 (a) and 12.1.1 (a).

**11. Section 12.2 (1) is repealed and the following substituted:**

- (1) On a reasonably frequent basis and, in any event, at least annually, a marketplace must engage one or more qualified external auditors to conduct an independent systems review and prepare a report in accordance with established audit standards and best industry practices that assesses the marketplace's compliance with

- (a) paragraph 12.1 (a),
- (b) section 12.1.1, and
- (c) section 12.4.

**12. Section 12.2 (2) (b) is repealed and the following substituted:**

- (b) the regulator or, in Québec, the securities regulatory authority, by the earlier of
  - (i) the 30th day after providing the report to its board of directors or the audit committee, and
  - (ii) the 60th day after the report's completion.

**13. Section 12.3 (1) (a) and (2) (a) is amended by replacing “begin; and” with “begin; or”.**

**14. Section 12.3 (3.1) (a) is amended by replacing “(2) (a)” with “(2) (b)”.**

**15. Section 12.4 (3) is amended by replacing “marketplace” with “recognized exchange or quotation and trade reporting system”.**

**16. Section 14.5 (a) is amended**

- (a) *in subparagraph (i) by replacing “an adequate system of internal controls” with “adequate internal controls”, and*
- (b) *in subparagraph (ii) by adding “cyber resilience,” after “information security,”.*

**17. Section 14.5 (c) is repealed and the following substituted:**

- (c) on a reasonably frequent basis and, in any event, at least annually, engage one or more qualified external auditors to conduct an independent systems review and prepare a report in accordance with established audit standards and best industry practices that assesses the information processor's compliance with paragraph (a) and section 14.6, .

**18. Section 14.5 (d) (ii) is repealed and the following substituted:**

- (ii) the regulator or, in Québec, the securities regulatory authority, by the earlier of the 30th day after providing the report to its board of directors or the audit committee and the 60th day after the report's completion, .

**19. Section 14.5 (e) is repealed and the following substituted:**

- (e) promptly notify the following of any systems failure, malfunction, delay or security incident that is material and provide timely updates on the status of the failure, malfunction, delay or security incident, the resumption of service, and the results of the information processor's internal review of the failure, malfunction, delay or security incident:
  - (i) the regulator or, in Québec, the securities regulatory authority;
  - (ii) any regulation services provider, recognized exchange or recognized quotation and trade reporting system monitoring trading of the securities about which information is provided to the information processor, and.

**20. Section 14.5 is amended by adding the following paragraph:**

- (f) keep a record of any systems failure, malfunction, delay or security incident and identify whether or not it is material.

**21. The following section is added:**

**Vulnerability Assessments**

**14.5.1** On a reasonably frequent basis and, in any event, at least annually, an information processor must engage one or more qualified parties to perform appropriate assessments and testing to identify security vulnerabilities and measure the effectiveness of information security controls that assess the information processor's compliance with paragraph 14.5 (a).

**21. Form 21-101F1 is amended by replacing the text under the heading "EXHIBITS" and preceding the heading "Exhibit A – Corporate Governance" with the following:**

File all Exhibits with the Filing. For each Exhibit, include the name of the exchange or quotation and trade reporting system, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect must be included instead of the Exhibit.

Except as provided below, if the filer, recognized exchange or recognized quotation and trade reporting system files an amendment to the information provided in its Filing and the information relates to an Exhibit filed with the Filing or a subsequent amendment, the filer, recognized exchange or recognized quotation and trade reporting system, must, in order to comply with subsection 3.2 (1), (2) or (3) of National Instrument 21-101 *Marketplace Operation*, provide a description of the change and the actual or expected date of the implementation of the change, and file a complete and updated Exhibit. The filer must provide a blacklined version showing changes from the previous filing.

If the filer, recognized exchange or recognized quotation and trade reporting system has otherwise filed the information required by the previous paragraph pursuant to section 5.5

of National Instrument 21-101 *Marketplace Operation*, it is not required to file the information again as an amendment to an Exhibit. However, if supplementary material relating to a filed rule is contained in an Exhibit, an amendment to the Exhibit must also be filed.

**22. Form 21-101F1 is amended by replacing Exhibit B – Ownership with the following:**

***Exhibit B – Ownership***

In the case of an exchange or quotation and trade reporting system that is a corporation, other than an exchange or quotation and trade reporting system that is a reporting issuer, provide a list of the beneficial holders of 10 percent or more of any class of securities of the exchange or quotation and trade reporting system. For each listed security holder, provide the following:

1. Name.
2. Principal business or occupation and title, if any.
3. Ownership interest, including the total number of securities held, the percentage of the exchange or quotation and trade reporting system's issued and outstanding securities held, and the class or type of security held.
4. Whether the security holder has control (as interpreted in subsection 1.3 (2) of National Instrument 21-101 *Marketplace Operation*).

In the case of an exchange or quotation and trade reporting system that is a partnership, sole proprietorship or other type of organization, provide a list of the registered or beneficial holders of the partnership interests or other ownership interests in the exchange or quotation and trade reporting system. For each person or company listed, provide the following:

1. Name.
2. Principal business or occupation and title, if any.
3. Nature of the ownership interest, including a description of the type of partnership interest or other ownership interest.
4. Whether the person or company has control (as interpreted in subsection 1.3 (2) of National Instrument 21-101 *Marketplace Operation*).

**23. Form 21-101F1 is amended in section 1 of Exhibit C – Organization by repealing Items 4 and 5.**

24. ***Form 21-101F1 is amended in section 2 of Exhibit D – Affiliates by repealing Items 2, 5 and 6.***
25. ***Form 21-101F1 is amended in Exhibit E – Operations of the Marketplace***
- (a) ***in Item 2 by deleting “, including a description of any co-location arrangements”, and***
- (b) ***by repealing Items 7 and 8.***
26. ***Form 21-101F2 is amended by replacing the text between “EXHIBITS” and “Exhibit A – Corporate Governance” with the following:***

File all Exhibits with the Initial Operation Report. For each Exhibit, include the name of the ATS, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect must be included instead of the Exhibit.

If the ATS files an amendment to the information provided in its Initial Operation Report and the information relates to an Exhibit filed with the Initial Operation Report or a subsequent amendment, the ATS must, in order to comply with subsection 3.2 (1), (2) or (3) of National Instrument 21-101 *Marketplace Operation*, provide a description of the change and the actual or expected date of the implementation of the change, and file a complete and updated Exhibit. The ATS must provide a blacklined version showing changes from the previous filing.

27. ***Form 21-101F2 is amended by replacing Exhibit B – Ownership with the following:***

***Exhibit B – Ownership***

In the case of an ATS that is a corporation, other than an ATS that is a reporting issuer, provide a list of the beneficial holders of ten percent or more of any class of securities of the ATS. For each listed security holder, provide the following:

1. Name.
2. Principal business or occupation and title, if any.
3. Ownership interest, including the total number of securities held, the percentage of the ATS's issued and outstanding securities held, and the class or type of security held.
4. Whether the security holder has control (as interpreted in subsection 1.3 (2) of National Instrument 21-101 *Marketplace Operation*).

In the case of an ATS that is a partnership, sole proprietorship or other type of organization, provide a list of the registered or beneficial holders of the partnership interests or other ownership interests in the ATS. For each person or company listed, provide the following:

1. Name.
  2. Principal business or occupation and title, if any.
  3. Nature of the ownership interest, including a description of the type of partnership interest or other ownership interest.
  4. Whether the person or company has control (as interpreted in subsection 1.3 (2) of National Instrument 21-101 *Marketplace Operation*).
28. ***Form 21-101F2 is amended in section 1 of Exhibit C – Organization by repealing Items 4 and 5.***
29. ***Form 21-101F2 is amended in section 2 of Exhibit D – Affiliates by repealing Items 2 and 5.***
30. ***Form 21-101F2 is amended in Exhibit E – Operations of the Marketplace***
- (a) ***in Item 2 by deleting “, including a description of any co-location arrangements”, and***
  - (b) ***by repealing Items 7 and 8.***
31. ***Form 21-101F3 is amended in Part A***
- (a) ***in section 3 by repealing Items B and C, and***
  - (b) ***by repealing sections 4, 5, 6 and 7.***
32. ***Form 21-101F3 is amended by repealing section 1 of Part B.***
33. ***Form 21-101F3 is amended in section 2 of Part B by repealing Item 3 and Chart 9.***
34. ***Form 21-101F5 is amended by replacing the text between “EXHIBITS” and “Exhibit A – Corporate Governance” with the following:***

File all Exhibits with the Initial Form. For each Exhibit, include the name of the information processor, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect must be included instead of the Exhibit.



If the information processor files an amendment to the information provided in its Initial Form, and the information relates to an Exhibit filed with the Initial Form or a subsequent amendment, the information processor must, in order to comply with sections 14.1 and 14.2 of National Instrument 21-101 *Marketplace Operation*, provide a description of the change and the actual or expected date of the implementation of the change, and file a complete and updated Exhibit. The information processor must provide a blacklined version showing changes from the previous filing.

**35. Form 21-101F5 is amended in section 1 of Exhibit C – Organization by**

- (a) replacing “list of the partners, directors,” with “list of the partners, officers,” and**
- (b) repealing Items 4 and 5.**

**SCHEDULE B**

**1. National Instrument 21-101 Marketplace Operation, B.C. Reg. 251/2001, is revised as set out in this Schedule.**

**2. Section 4.2 (1) is replaced with the following:**

- (1) A recognized exchange and a recognized quotation and trade reporting system must file annual audited financial statements within 90 days after the end of its financial year in accordance with subsection 4.1(1).**

**3. Section 12.1 (b) (ii) is replaced with the following:**

- (ii) conduct capacity stress tests to determine the processing capability of those systems to perform in an accurate, timely and efficient manner, .**

**4. Section 14.5 (b) (ii) is replaced with the following:**

- (ii) conduct capacity stress tests of its critical systems to determine the processing capability of those systems to perform in an accurate, timely and efficient manner, .**

**5. Exhibit G – Systems and Contingency Planning of Form 21-101F1 is revised**

- (a) under the heading “General” by replacing Items 1 and 2 with the following:**

Provide:

- 1. A high-level description of the marketplace’s systems that support order entry,**

order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing.

2. An organization chart of the marketplace's information technology group unless otherwise provided as part of the report required by subsection 12.2(1) of National Instrument 21-101 Marketplace Operation. ,

**(b) under the heading "Systems" by replacing Item 3 with the following:**

3. The marketplace's networks. Please provide a copy of a high-level network diagram of the systems referred to in section 12.1 of National Instrument 21-101 Marketplace Operation, as applicable, together with a description of the external points of contact for the marketplace's networks. , **and**

**(c) under the heading "IT Risk Assessment" by replacing Item 2 with the following:**

2. How the impact of risks is measured according to qualitative and quantitative criteria.

**6. Exhibit G – Systems and Contingency Planning of Form 21-101F2 is revised**

**(a) under the heading "General" by replacing Items 1 and 2 with the following:**

Provide:

1. A high-level description of the marketplace's systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing.
2. An organization chart of the marketplace's information technology group unless otherwise provided as part of the report required by subsection 12.2(1) of National Instrument 21-101 Marketplace Operation. ,

**(b) under the heading "Systems" by replacing Item 3 with the following:**

3. The marketplace's networks. Please provide a copy of a high-level network diagram of the systems referred to in section 12.1 of National Instrument 21-101 Marketplace Operation, as applicable, together with a description of the external points of contact for the marketplace's networks. , **and**

**(c) under the heading "IT Risk Assessment" by replacing Item 2 with the following:**

2. How the impact of risks is measured according to qualitative and quantitative criteria.

7. ***Section 1 of Exhibit G – Systems and Operations of Form 21-101F5 is replaced with the following:***

1. Describe the manner of operation of the System of the information processor that collects, processes, distributes and publishes information in accordance with National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*. This description must include the following:
  1. The means of access to the System.
  2. Procedures governing entry and display of quotations and orders in the System including data validation processes.
  3. A description of any measures used to verify the timeliness and accuracy of information received and disseminated by the System, including the processes to resolve data integrity issues identified.
  4. The hours of operation of the System.
  5. A description of the training provided to users of the System and any materials provided to the users.

8. ***Section 2 of Exhibit J – Fees and Revenue Sharing of Form 21-101F5 is replaced with the following:***

2. Where arrangements exist to share revenue from the sale of data disseminated by the information processor with marketplaces, inter-dealer bond brokers and dealers that provide data to the information processor in accordance with National Instrument 21-101 *Marketplace Operation*, provide a complete description of the arrangements and the basis for these arrangements.

9. ***Section 1 of Exhibit K – Reporting to the Information Processor of Form 21-101F5 is replaced with the following:***

1. List all persons and entities that provide data to the information processor in accordance with the requirements of National Instrument 21-101 *Marketplace Operation*.

10. ***Exhibit M – Selection of Securities for which Information Must Be Reported to the Information Processor of Form 21-101F5 is replaced with the following:***

***Exhibit M – Selection of Securities for which Information Must Be Reported to the Information Processor***

Where the information processor is responsible for making a determination of the data which must be reported, including the securities for which information must be reported in accordance with National Instrument 21-101 *Marketplace Operation*, describe the manner of selection and communication of these securities. This description must include

the following:

1. The criteria used to determine the securities for which information must be reported and the data which must be reported to the information processor.
2. The process for selection of the securities, including a description of the parties consulted in the process and the frequency of the selection process.
3. The process to communicate the securities selected and data to be reported to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by National Instrument 21-101 *Marketplace Operation*. The description must include where this information is located.