

Amendments to National Instrument 21-101 Marketplace Operation

PART 1 AMENDMENTS

1.1 Amendments

- (1) This Instrument amends National Instrument 21-101 *Marketplace Operation*.
- (2) The definitions in section 1.1 are amended as follows:
 - (a) the definition of “IDA” is repealed and replaced by the following ““IIROC” means the Investment Industry Regulatory Organization of Canada”;
 - (b) the definition of “inter-dealer bond broker” is amended by:
 - (i) striking out “IDA” and substituting “IIROC”;
 - (ii) striking out “By-law No. 36” and substituting “Rule 36”; and
 - (iii) striking out “Regulation 2100” and substituting “Rule 2100”; and
 - (c) adding the following definitions:

““effective spread” means,

 - (a) for buy orders, double the amount of the difference between the execution price and the midpoint of the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace at the time of order receipt; or
 - (b) for sell orders, double the amount of the difference between the midpoint of the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace at the time of order receipt and the execution price.

““realized spread” means,

 - (a) for buy orders, double the amount of the difference between the execution price and the midpoint of the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace five minutes after the time of order execution; or
 - (b) for sell orders, double the amount of the difference between the midpoint of the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace five minutes after the time of order execution and the execution price; and

where, for orders that execute within the last five minutes of a marketplace's trading hours, the midpoint referred to in paragraphs (a) and (b) is the midpoint of the final best bid price and best ask price disseminated for the trading day.”.

- (3) The following section is added after section 10.1:

“10.2 Trading Fees for Trade-Through Purposes – With respect to trading fees charged for the execution of an order to comply with section 6.1 of NI 23-101, a marketplace shall not impose

- (a) a fee that is equal to or greater than the minimum price increment described in IIROC Universal Market Integrity Rule 6.1, as amended; and
- (b) terms that have the effect of discriminating between orders that are routed to that marketplace to prevent trade-throughs and orders that originate on that marketplace.”

- (4) Section 11.5 is repealed and replaced by the following:

“11.5 Synchronization of Clocks – (1) A marketplace trading exchange-traded securities, an information processor receiving information about those securities and a dealer trading those securities shall synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part or NI 23-101 with the clock used by its regulation services provider, or if it has not retained a regulation services provider, any regulation services provider monitoring the trading of those securities.

(2) A marketplace trading corporate debt securities or government debt securities, an information processor receiving information about those securities, a dealer trading those securities and an inter-dealer bond broker trading those securities shall synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part or NI 23-101 with the clock used by its regulation services provider, or if it has not retained a regulation services provider, any regulation services provider monitoring the trading of those securities.”.

- (5) The following Part is added:

“PART 11.1 REPORTING OF ORDER EXECUTION INFORMATION BY MARKETPLACES

11.1.1 Reporting of Order Execution Information by Marketplaces – (1) A marketplace shall publish in a meaningful, readily accessible and usable electronic form and make available at no cost for downloading from a website, a monthly report containing the information set out below, but not including information relating to any non-standard order, calculated price order or closing price order:

Liquidity Measures:

- (a) for all orders that, when received by the marketplace, are at or within the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace:
 - (i) the number of orders that the marketplace received;
 - (ii) the number of orders that were cancelled;
 - (iii) the number of orders that were executed on the marketplace;
 - (iv) if applicable, the number of orders routed to another marketplace for execution;
 - (v) the average volume of all orders executed on the marketplace;
 - (vi) the share-weighted average effective spread for order executions; and
 - (vii) the share-weighted average realized spread for order executions.

Trading Statistics:

- (b) the number of trades executed on the marketplace;
- (c) the volume of all trades executed on the marketplace;
- (d) the volume of all trades resulting from the execution of orders that are not displayed on the marketplace;
- (e) the volume of all trades resulting from the execution of orders that are partially displayed on the marketplace;
- (f) the value of all trades executed on the marketplace;
- (g) the arithmetic mean and median size of trades executed on the marketplace;
- (h) the number of trades that were executed on the marketplace with a volume of,
 - (i) for securities other than options,
 - (A) over 5,000 up to and including 10,000 units of securities, and
 - (B) over 10,000 units of securities, and
 - (ii) for options,
 - (A) over 100 up to and including 250 options contracts; and
 - (B) over 250 options contracts.

Speed and Certainty of Execution Measures:

- (i) the number of orders that, when received by the marketplace, are at or within the best bid price and best ask price as identified by an information processor, or if there is no information processor, on a particular marketplace and that are executed:
 - (i) within 1 second after the time of their receipt;
 - (ii) more than 1 second and up to and including 10 seconds after the time of their receipt;
 - (iii) more than 10 seconds and up to and including 60 seconds after the time of their receipt;
 - (iv) more than 1 minute and up to and including 5 minutes after the time of their receipt; and
 - (v) more than 5 minutes and up to and including 30 minutes after the time of their receipt.
- (2) The reporting required in paragraphs (1)(a) through (i) shall be categorized by security.
- (3) This section is effective on **[insert date six months after Effective Date]**.
- (6) Part 12 is repealed and replaced with the following:

“PART 12 CAPACITY, INTEGRITY AND SECURITY OF MARKETPLACE SYSTEMS

12.1 System Requirements – For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall,

- (a) develop and maintain
 - (i) reasonable business continuity and disaster recovery plans;
 - (ii) an adequate system of internal control over those systems; and
 - (iii) adequate general computer controls, including controls relating to information systems operations, information security, change management, problem management, network support and system software support;
- (b) consistent with prudent business practice, on a reasonably frequent basis, and in any event, at least annually,

- (i) make reasonable current and future capacity estimates;
 - (ii) conduct capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner; and
 - (iii) test its business continuity and disaster recovery plans; and
- (c) promptly notify the regulator, or, in Québec, the securities regulatory authority and, if applicable, its regulation services provider of any material systems failures.

12.2 Systems Reviews – (1) For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph 12.1(a).

(2) A marketplace shall provide the report resulting from the review conducted under subsection (1) to

- (a) its board of directors, or the audit committee, promptly upon the report’s completion, and
- (b) to the regulator, or, in Québec, the securities regulatory authority, within 30 days of providing the report to its board of directors or the audit committee.

12.3 Availability of Technology Requirements and Testing Facilities – (1) A marketplace shall publish all technology requirements regarding interfacing with or accessing the marketplace in their final form,

- (a) if operations have not begun, for at least three months immediately before operations begin; and
- (b) once it has begun operations, for at least three months before implementing a material change to its technology requirements.

(2) After the technology requirements set out in subsection (1) have been published, a marketplace shall make available testing facilities for interfacing with or accessing the marketplace,

- (a) if operations have not begun, for at least two months immediately before operations begin; and
- (b) once it has begun operations, for at least two months before implementing a material change to its technology requirements.

(3) A marketplace shall not begin operations until it has complied with paragraphs (1)(a) and (2)(a).”.

(7) Section 14.5 is repealed and replaced with the following:

“14.5 System Requirements – An information processor shall,

- (a) develop and maintain
 - (i) reasonable business continuity and disaster recovery plans;
 - (ii) an adequate system of internal controls over its critical systems; and
 - (iii) adequate general computer controls, including controls relating to information systems operations, information security, change management, problem management, network support, and system software support;
- (b) on a reasonably frequent basis, and in any event, at least annually, and in a manner that is consistent with prudent business practice,
 - (i) make reasonable current and future capacity estimates for each of its systems;
 - (ii) conduct capacity stress tests of its critical systems to determine the ability of those systems to process information in an accurate, timely and efficient manner; and
 - (iii) test its business continuity and disaster recovery plans;
- (c) annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph (a);
- (d) provide the report resulting from the review conducted under paragraph (c) to
 - (i) its board of directors or the audit committee promptly upon the report’s completion, and
 - (ii) to the regulator, or, in Québec, the securities regulatory authority, within 30 days of providing it to the board of directors or the audit committee; and
- (e) promptly notify the regulator, or, in Québec, the securities regulatory authority, and 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 of any material systems failures.

1.2 **Effective Date** – This Instrument comes into force on [**].