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CSA Notice

Amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* and Changes to Companion Policy 24-101CP to National Instrument 24-101 *Institutional Trade Matching and Settlement*

April 27, 2017

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (**Instrument** or **NI**) and changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement* (**Companion Policy** or **CP**) (collectively, the NI and CP are referred to as **NI 24-101**). The amendments to the NI and changes to the CP are referred to collectively in this Notice as the **Revisions**.

Some of the Revisions are being made in anticipation of shortening the standard settlement cycle for equity and long-term debt market trades in Canada from three days after the date of a trade (**T+3**) to two days after the date of a trade (**T+2**). The move to a T+2 settlement cycle is expected to occur on September 5, 2017, at the same time as the markets in the United States are expected to move to a T+2 settlement cycle.

In some jurisdictions, government ministerial approvals are required for the implementation of the amendments to the Instrument. Provided all necessary approvals are obtained, we expect the amendments will come into force, with certain transitional relief, in all CSA jurisdictions on September 5, 2017 (see "**Discussion – 3. Effective date of Revisions and transitional provisions**"). Additional information regarding the adoption of the amendments to the NI in each province or territory is, where applicable, included in Annex G. The text of the amendments to the NI, and text of the changes to the CP, follow after this Notice in Annexes C and D, respectively, and will also be available on websites of CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.nssc.novascotia.ca
www.fcnb.ca
www.osc.gov.on.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca

This Notice includes the following Annexes:

- Annex A: list of comment letters
- Annex B: summary of comments on "Proposed Revisions" (defined below) and CSA responses
- Annex C: amendments to the NI (including the Forms)
- Annex D: changes to the CP
- Annex E: blackline version of the NI reflecting the amendments to the NI (including the Forms)
- Annex F: blackline version of the CP reflecting the changes to the CP
- Annex G: local matters (where applicable)

Background

We published for comment on August 18, 2016 for 90 days proposed amendments to the Instrument and changes to the Companion Policy (collectively, the **Proposed Revisions**). As we explained in the *Notice and Request for Comments* (the **Request Notice**),[1] the purposes of the Proposed Revisions were twofold:

- To facilitate the move to a T+2 settlement cycle (while NI 24-101 does not currently expressly mandate a T+3 settlement cycle, nor would prevent the migration to T+2, there are a number of provisions that require revision to facilitate the move to T+2), and

- To update, modernize and clarify certain provisions of NI 24-101.

In addition to seeking comment on the Proposed Revisions, we published at the same time CSA Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment* (**Consultation Paper**).[2] The Consultation Paper sought stakeholder views on the adequacy of today's settlement discipline regime for the Canadian equity and debt markets that are moving to a standard T+2 settlement cycle. The Consultation Paper explored, for regulatory consideration, possible new measures that might enhance settlement discipline and mitigate potential risk of increased settlement fails as the markets move to T+2. Such measures were to be over and above the Proposed Revisions.[3]

We received seven comment letters on both the Proposed Revisions and Consultation Paper. A list of the commenters is attached in Annex A to this Notice. We have considered the comments

[1] See CSA Notice and Request for Comments: Proposed Amendments to NI 24-101 *Institutional Trade Matching and Settlement*, Changes to Companion Policy 24-*101 Institutional Trade Matching and Settlement*, and CSA Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment*, August 18, 2016, (2016), 39 OSCB 7225.

[2] See Annex E of Request Notice, at p. 7276.

[3] Such measures were also over and above the changes being made by the industry to the rulebooks, procedures, standard agreements and other documentation of the marketplaces, SROs and clearing agencies to reflect the move to T+2 from T+3. For a discussion of these industry changes, see the Request Notice at p. 7226-7, and Consultation Paper at p. 7280. For example, the Investment Industry Regulatory Organization of Canada (**IIROC**) has proposed amendments to its Universal Market Integrity Rules, Dealer Member Rules, and Form 1 to facilitate the investment industry's move to T+2 settlement. See IIROC Notice 16-0177 *Amendments to facilitate the investment industry's move to T+2*, available at: http://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc_20160728_iiroc-notice-16-0177.pdf.

received, and thank all commenters for their submissions. We provide a summary of the comments on the Proposed Revisions, together with our responses, in Annex B to this Notice.

We briefly discuss some of the key comments and our responses below under "Discussion". CSA staff propose to bring forward for publication later in 2017 a summary of the feedback we received on the Consultation Paper, together with staff's analysis of such feedback (**Feedback Analysis**).

The Revisions being adopted today by the CSA are based solely on the Proposed Revisions. We do not propose to implement at this time any additional measures arising from the Consultation Paper to prepare for the move to T+2 as a result of the feedback received.[4] The Feedback Analysis will provide further details.

Recent developments on investment fund settlement timelines

The CSA has held ongoing discussions with the conventional mutual fund industry regarding the industry's transition to a T+2 settlement cycle. Three industry associations, an industry outsourcing and technology vendor and a clearing agency have been consulted in this regard. These industry stakeholders and service providers have requested that the CSA provide guidance regarding the adoption of a T+2 settlement cycle by conventional mutual funds. The CSA jurisdictions anticipate addressing this in a separate publication.

Discussion

Defined terms or expressions used in this Notice, which are not otherwise defined or given a meaning in this Notice, share the meanings provided in the Request Notice.

This section of the Notice is divided into three parts.

- In part 1, we discuss key Revisions that relate to the migration to T+2 settlement. These Revisions do not affect NI 24-101's current institutional trade matching (**ITM**) deadline of noon on T+1, nor its exception reporting ITM threshold of 90 percent.

- In part 2, we discuss key Revisions that clarify or modernize certain provisions of NI 24-101.

- In part 3, we describe the effective date for implementing the Revisions and certain transitional provisions in response to concerns expressed by commenters with implementing the Revisions on September 5, 2017.

1. T+2-related Revisions

(a) References to "T+3"

[4] Almost all commenters say that the existing settlement discipline regime is adequate and largely capable of meeting a T+2 settlement cycle.

While the primary focus of the Instrument is on having ITM policies and procedures to match institutional trades no later than noon on T+1, NI 24-101 contains a number of references to T+3. We are removing these references or, where appropriate, replacing them with references to "T+2".

(b) Non-North American trades

We proposed in the Request Notice to repeal the provisions that extend the ITM deadline to noon on T+2 where a DAP/RAP trade results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside the North American region (**non-North American trades**). Most commenters agreed with repealing these provisions. Some commenters noted that a longer deadline could subject market participants, who are waiting for a trade to settle on T+2, to increased risks of a failed trade. Some who commented about removing the extended deadline for matching non-North American trades also indicated that such a change should not be onerous given that it would align Canada with T+2 settlement cycles in other jurisdictions. This includes the T+2 settlement cycle in use today in Europe, Hong Kong, Australia and New Zealand, as well as the T+2 settlement cycle standard proposed for the United States and Mexico as of September 5, 2017.[5]

As a result, we are repealing the provisions of NI 24-101 relating to non-North American trades. These provisions are no longer appropriate in a standard T+2 settlement environment. The extended deadline of noon on T+2 for non-North American trades leaves insufficient time to solve problems and avoid failed trades; instead, parties need to match earlier on T+1 regardless of the cross-border nature of the trade, so that they have time to address issues and avoid failed trades.

2. Revisions to clarify or modernize NI 24-101

(a) Application to ETFs

As noted in the Request Notice, NI 24-101 does not currently apply to a trade in a security of a mutual fund to which National Instrument 81-102 *Investment Funds* (**NI 81-102**) applies. Mutual

[5] Since the publication of our Request Notice in August 2016:

- The U.S. Securities and Exchange Commission (**SEC**) published for comment in September 2016 a release (**SEC Proposed Release**) proposing to amend SEC Rule 15c6-1(a) *Settlement Cycle* under the Securities Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2. See SEC Release No. 34-78962; File No. S7-22-16 (RIN 3235-AL86), *Amendment to Securities Transaction Settlement Cycle*; Proposed rule; September 28, 2016; available at: https://www.sec.gov/rules/proposed/2016/34-78962.pdf. The SEC adopted these amendments on March 22, 2017 in a final release (**SEC Final Release**). See SEC Release No. 34-80295; File No. S7–22–16 (RIN 3235–AL86), *Securities Transaction Settlement Cycle*; Final rule; published in Federal Register, March 29, 2017; available at: https://www.gpo.gov/fdsys/pkg/FR-2017-03-29/pdf/2017-06037.pdf. The "compliance date" set out in the SEC Final Release for meeting the new T+2 standard is September 5, 2017.
- Grupo Bolsa Mexicana de Valores (the Mexican Stock Exchange) recently announced that it will change trade settlement dates for many equity products and warrants to T+2 from the current T+3 starting September 5, 2017, subject to the approval and implementation by the U.S. financial services industry of the move to T+2 on such date (according to a Notice from Grupo Bolsa Mexicana de Valores dated February 16, 2017 to "Traders and Head Traders of the Mexican Equity Market", as set forth in a widely distributed email dated February 21, 2017 from the Canadian Capital Markets Association (**CCMA**)).

fund trades were originally carved out of NI 24-101 because traditional purchase and redemption transactions in mutual fund securities were not cleared and settled through the facilities of a clearing agency, such as CDS Clearing and Depository Services Inc. (**CDS**). As exchange traded funds (**ETFs**) are mutual funds and therefore subject to NI 81-102, ETF securities that are bought and sold like any other stock on the secondary markets and settled through the facilities of CDS, are not subject to NI 24-101.

In the Request Notice we expressed the view that a secondary-market trade in an ETF security that settles through the facilities of CDS should be subject to NI 24-101, particularly the trade matching requirements of the Instrument (Parts 3 and 4). Such trades bring the same risks to our markets and the clearing and settlement infrastructure that serves our markets as any other typical trade in equity or fixed-income securities. In addition, non-redeemable investment funds that trade on a marketplace and settle through CDS are currently subject to the Instrument. We are of the view that all investment funds that are traded on a marketplace should be treated in the same way under the Instrument. Some commenters noted that, since NI 24-101 came into force in 2007, the volume of ETF issuers and transactions has increased, but has not posed a challenge in respect of the timely matching of these trades. Commenters also said that ETFs are already included in the ITM matching data published by CDS.

We are narrowing the scope of the current exception for investment funds by amending paragraph (f) of section 2.1 of the NI to clarify that the Instrument does not apply to a purchase governed by Part 9, or a redemption governed by Part 10, of NI 81-102. Part 9 governs purchases of securities of a mutual fund, and Part 10 governs redemptions of investment fund securities. Moreover, the Forms and Companion Policy are being amended to clarify that DAP/RAP trades in ETF securities are to be included in the exception reports under Form 24-101F1 by registered firms as "equity" DAP/RAP trades, and not as "debt" DAP/RAP trades.

(b) Clearing agency definition

In the Request Notice, we expressed our view that the defined term "clearing agency" needed to be updated, given the growing number of, and the broader range of services provided by, clearing agencies operating in Canada since 2007. Accordingly, we have amended the definition as proposed.

(c) MSU systems and business continuity planning requirements

We proposed in the Request Notice to amend section 6.5 of the NI and related CP provisions, which set out systems and business continuity planning requirements for matching service utilities (**MSU**). The purpose of such Proposed Revisions was to align them with similar provisions in other rules applicable to marketplaces, information processors, clearing agencies and trade repositories. However, some commenters expressed concerns with these Proposed Revisions. Among other reasons, one commenter noted that regulators should not impose new obligations on MSUs that are overly onerous, as they could jeopardize the continuity and availability of MSU services to Canadian market participants. One commenter also suggested that a formal "substitute compliance" regime be considered with respect to these requirements in circumstances where an MSU is already complying with analogous requirements of its home regulator in a foreign jurisdiction.

CSA staff will consider further policy work on systems and related requirements applicable to MSUs at a later time. Consequently, we will not proceed at this time with the Proposed Revisions to section 6.5 of the NI and section 4.5 of the CP.

3. Effective date of Revisions and transitional provisions

(a) Effective date of Revisions

As mentioned above, we expect the amendments to the Instrument will come into force on September 5, 2017 in all CSA jurisdictions, subject to obtaining government ministerial approvals in certain CSA jurisdictions. We chose this date so that the Revisions are implemented at the same time as the markets in the United States are expected to transition from a T+3 settlement cycle to a T+2 settlement cycle.[6] The U.S. securities industry has identified September 5, 2017 as the target date for the transition to a T+2 settlement cycle to occur. Similarly, the SEC has determined a "compliance date" of September 5, 2017 for meeting a new T+2 settlement standard for broker-dealer transactions under recently adopted amendments to SEC Rule 15c6-1(a) *Settlement Cycle* enacted under the Securities Exchange Act of 1934.[7] However, while remote, it is possible that this target or compliance date may be extended if certain regulatory and industry contingencies are not achieved on time.[8]

As a result, while we have specified September 5, 2017 as the earliest date when the Revisions will become effective, the amending instrument that implements the Revisions contains language that will allow for the effective date to be extended in order to match a delay of the U.S. transition to a T+2 settlement cycle, should the U.S. target-compliance date be extended for whatever reason. In the event that the U.S. compliance date is extended, for transparency purposes the CSA jurisdictions expect to publish a subsequent notice to highlight such a date extension.

(b) Transitional provisions for delivery of Forms 24-101F1, 24-101F2 and 24-101F5 for calendar quarter that includes the effective date

Under section 4.1 of the Instrument, each calendar quarter is a reporting period for the purposes of delivering an exception report in Form 24-101F1. Commenters expressed concerns that, because September 5, 2017 falls within the calendar quarter ending September 30, 2017, registered firms delivering exception reports in Form 24-101F1 for that quarter could potentially be subject to two different sets of reporting requirements in that quarter. Essentially, if the Revisions related to reporting were brought into force on September 5, 2017, firms might report their ITM rates based on two different methodologies: first, using their current methodology for reporting ITM rates for the period from July 1, 2017 to September 4, 2017, and second, using a different methodology for reporting ITM rates for the period from September 5, 2017 to September 30, 2017.

[6] See "Priorities" on the CCMA Website, at: http://ccma-acmc.ca/en/priorities/. See also CSA Staff Notice 24-312 – *Preparing for the Implementation of T+2 Settlement* dated April 2, 2015, available at: http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20150402_24-312_t2-settlement.htm.
[7] See the SEC Final Release.
[8] See the SEC Proposed Release, at pages 76-77.

We have considered these comments, and included specific transitional provisions in the instrument amending the NI to address this issue. The transitional provisions also apply to the reporting requirements of clearing agencies and MSUs with respect to Forms 24-101F2 and 24-101F5, respectively. The transitional relief for registered firms relates only to determining whether an exception report is necessary for the calendar quarter and, if it is, the form required for that report. However, September 5, 2017 (or such later date, as discussed above) remains the effective date for having policies and procedures to reflect the amended matching requirements regarding ETFs and non-North American trades. A registered dealer or a registered advisor must establish, maintain, and enforce policies and procedures designed to achieve matching as soon as practical after a DAP/RAP trade for an institutional investor is executed and in any event no later than 12 p.m. (noon) on T+1.

The transitional relief would permit a registered firm to calculate its relevant ITM percentages for determining whether it needs to file an exception report for the calendar quarter during which the Revisions are implemented, and, where applicable, for completing the report, as if the Revisions do not come into force until the beginning of the following calendar quarter. Therefore, if the effective date is September 5, 2017, registered firms would be entitled to continue to use their current methodologies for calculating whether they meet the 90% ITM threshold for the entire calendar quarter ending September 30, 2017. For example, to the extent that a firm currently differentiates between North American DAP/RAP trades and non-North American DAP/RAP trades, or between ETF DAP/RAP trades and other equity DAP/RAP trades, for the purposes of its exception reports, it would not need to change mid-quarter its methodology for completing the report for the calendar quarter ending September 30, 2017.

As revised, section 3.4 of the Companion Policy encourages registered firms to complete their Form 24-101F1 through the NI 24-101 on-line portal on the CSA website.[9] It is important to note that the CSA will not modify the on-line version of Form 24-101F1 to reflect the relevant changes made to the Form in the Revisions until after 45 days following the end of the calendar quarter during which the Revisions are implemented. Therefore, we encourage registered firms to file their on-line exception reports for the calendar quarter during which the Revisions are implemented on the current version of the Form, and not the revised Form.

CSA Staff Notice 24-305

In order to reflect the Revisions, CSA staff plan to update and republish CSA Staff Notice 24-305 *Frequently Asked Questions About National Instrument 24-101 – Institutional Trade Matching and Settlement and Related Companion Policy* later this year.

[9] In Ontario, it is mandatory to file the Form electronically through the on-line portal on the CSA Website. See OSC Rule 11-501 *Electronic Delivery of Documents to the Ontario Securities Commission*.

Questions

Questions with respect to this Notice may be referred to:

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ANNEX A

List of Commenters on Proposed Revisions and Consultation Paper

Barbara Amsden
Canadian Capital Markets Association
CIBC World Markets Inc.
Investment Industry Association of Canada
Omgeo Canada Matching Ltd. (two letters)
RBC Dominion Securities Inc.

ANNEX B

Summary of Public Comments on Proposed Revisions

1. Theme/question	2. Summary of comments	3. General responses
General		
Support for T+2 amendments	Commenters expressed appreciation for the CSA's work towards the transition to T+2, one emphasizing the CSA's contribution for raising awareness of T+2 within broader sectors of industry.	We acknowledge and thank the commenters for their remarks.
Current ITM data	A commenter suggests that the Canadian industry is already capable of meeting a T+2 standard on average, as evident from the data shown in Table B-1 of Appendix B of the Consultation Paper. It highlights that the data shows an increase in trade matching volume rates between 2007 and December 2015, including: • A doubling in percentages entered by midnight on T and approaching a quadrupling in matching by that time • A 16% increase in the percentage of trades entered and an almost 50% increase in trades matched by noon on T+1 ready for settlement on T+2.	We thank the commenter for this comment. Appendix B of the Consultation Paper includes additional analysis of the ITM data.
National Instrument 24-101 *Institutional Trade Matching*		
Non-North American Trades	Most commenters agree with the proposal to repeal the provisions that extend the institutional trade matching deadline to noon on T+2 for non-North American trades. One commenter notes that the longer deadline could subject those waiting for a trade to settle on T+2 to increased risk of failed trades. Another commenter notes that regardless of the complexities with foreign investments and cross border transactions, today non-North American trades are typically matched and settled efficiently. Although this commenter also says that some firms might need to improve their processes,	We are repealing the provisions of NI 24-101 relating to non-North American trades. As indicated in the accompanying CSA Notice, in a T+2 settlement environment, the extended institutional trade matching deadline of noon on T+2 leaves insufficient time to solve problems and avoid failed trades.

1. Theme/question	2. Summary of comments	3. General responses
	it does not expect material long-term disruptions. Another commenter notes that this should not be an onerous change given that it aligns Canada with what participants are currently accustomed to for T+2 settlement in the Europe, Australia, New Zealand, etc.	
Alternatives to T+2	One commenter notes that there are no reasonable alternatives to the proposed changes and that a detailed cost-benefit analysis is not required given the full Canadian industry agreement. Also, given the significantly interconnected nature, and relative sizes, of the Canadian and U.S. capital markets, the change to T+2 with the U.S. is required.	We agree with these comments. See: CSA Staff Notice 24-312 *Preparing for the Implementation of T+2 Settlement*, April 2, 2015; and CSA Staff Notice 24-314 *Preparing for the Implementation of T+2 Settlement: Letter to Registered Firms*, May 26, 2016; (2016), 39 OSCB 4873.
Application to ETFs	One commenter notes that, despite the increased volume of ETF issuers and transactions since NI 24-101 came into force in 2007, it has not posed a significant challenge on the timely matching of these trades. Two commenters also note that ETFs are already included in the matching data published by CDS.	We are amending paragraph 2.1(f) of the NI by narrowing the scope of the current exception for investments funds. As indicated in the Notice accompanying this publication, secondary market trading in ETFs brings the same risks to our markets and the clearing and settlement infrastructure as other typical trades in equity or fixed-income securities.
MSU systems and business continuity planning	One commenter says that any new obligations imposed upon MSUs should not be viewed as overly onerous by the MSUs as it could potentially jeopardize the continuity of the MSUs service to Canadian market participants. This commenter also notes the importance of bilateral discussions with MSUs to ensure an appropriate balance in any such proposals. Another commenter expresses concern regarding the timing obligations, noting that may represent a challenge	We are not proceeding with the Proposed Revisions to section 6.5 of the NI and section 4.5 of the CP regarding MSU systems and business continuity requirements at this time, as we will consider further policy work on this matter.[10]

[10] The proposed amendments to section 6.5 of the NI in the Request Notice had also included the addition of new sections 6.6 to 6.8 of the Instrument, as well as certain revisions to Form 24-101F3 *Matching Service Utility – Notice of Operations*. The proposed changes to section 4.5 of the CP had also included the addition of new sections 4.6 to 4.8 of the Companion Policy.

1. Theme/question	2. Summary of comments	3. General responses
	to the extent that they are out of step with non-Canadian regulatory requirements.	
Annual MSU testing requirements	One commenter submits that conducting capacity stress tests of its systems and testing its business continuity plans, including disaster recovery, on a minimum annual basis, may be unnecessarily prescriptive. This commenter suggests that it may be more effective to adopt a collaborative approach between the MSU and the regulator as to the frequency of testing, thereby enabling assessment and adjustment of expectations in response to changes in technology and market practices.	
Substituted compliance	One commenter submits that given the interconnected nature of market infrastructure, it is important to consider a degree of formalized substitute compliance. For example, where an MSU complies with the requirements of a foreign regulator, e.g. *Regulation SCI* in the U.S., such activities could be deemed to satisfy any analogous requirements in NI 24-101.	
Transitional phase	Two commenters identify an issue with the target implementation date, September 5, 2017, in relation to reporting requirements for registered firms. One commenter notes that the target implementation date falls mid-month and mid-quarter in a reporting period for which an exception report might have to be filed. It states that providing transitional relief for one quarter posed little, if any, systemic risk or risk for investors. It suggests that the CSA implement exception reporting effective in the fourth calendar quarter of 2017 and that reporting for the third quarter would remain on the same basis as currently (or a corresponding quarter, should the implementation date be moved). The	We have included specific transitional provisions in the instrument amending the NI to address this issue. As indicated in the Notice accompanying this publication, the transitional provisions apply to the reporting requirements of registered firms, clearing agencies and MSUs. The transitional relief would permit a registered firm to calculate its relevant ITM percentages for determining whether it needs to file an exception report for the calendar quarter in which the Revisions are implemented, and, where applicable, for completing the report, as if the Revisions do not come into force until the following calendar quarter.

1. Theme/question	2. Summary of comments	3. General responses
	commenter further recommends, for some matching parties, that there be no requirement for exception reporting for the third-calendar quarter of 2017.	However, September 5, 2017 (or such later date, if the transition to T+2 is delayed) remains the effective date for having policies and procedures to reflect the amended matching requirements regarding ETFs and non-North American trades.
Companion Policy 24-101 *Institutional Trade Matching*		
MSU systems and business continuity planning, including annual testing requirements	One commenter notes that subsection 4.5(1) of the CP should be supplemented to include references to equivalent, non-Canadian technology guidelines.	See our comment above with respect to the Proposed Revisions to the MSU systems and business continuity planning requirements of the NI.

ANNEX C

Amendments to
National Instrument 24-101
Institutional Trade Matching and Settlement

1. ***National Instrument 24-101 Institutional Trade Matching and Settlement is amended by this Instrument.***

2. ***Section 1.1 is amended***

   (a) ***by replacing the definition of "***clearing agency***" with:***

   "clearing agency" means a recognized clearing agency that operates as a "securities settlement system" as defined in section 1.1 of National Instrument 24-102 *Clearing Agency Requirements*;**,**

   (b) ***in the definition of "***DAP/RAP trade***" by,***

   (i) adding "in a security***" immediately after "***means a trade***", and***

   (ii) replacing "made***" with "***completed***" in paragraph (b),***

   (c) ***by repealing the definitions of "***North American region***" and "***T+3***", and***

   (d) ***in the definition of "***T+2***" by replacing "***;***" following "***means the second business day following T***" with "***.***".***

3. ***Section 1.2 is amended by replacing subsection (2) with the following:***

   (2) For the purposes of this Instrument, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the *Securities Act* (Québec)**..**

4. ***Paragraph 2.1(f) is replaced with the following:***

   (f) a purchase governed by Part 9, or a redemption governed by Part 10, of National Instrument 81-102 *Investment Funds*,**.**

5. ***Section 3.1 is amended***

   (a) ***in subsection (1) by***

   (i) replacing "shall***" with "***must***", and***

   (ii) adding "Eastern Time***" after "***12 p.m. (noon)***", and***

   (b) ***by repealing subsection (2).***

6. ***Section 3.2 is amended by replacing "***shall***" with "***must***".***

7. Section 3.3 is amended

(a) ***in subsection (1) by***

(i) replacing "shall***" with "***must***", and***

(ii) adding "Eastern Time***" after "***12 p.m. (noon)***", and***

(b) ***by repealing subsection (2).***

*8. Sections 3.4 and 4.1 are amended by replacing "*shall*" with "*must*".*

*9. Section 5.1 is amended by replacing "*through which trades governed by this Instrument are cleared and settled shall*" with "*must*".*

*10. Sections 6.1 to 8.1 are amended by replacing "*shall*" with "*must*" wherever it appears.*

11. Form 24-101F1 is amended by replacing the instructions before the heading "Exhibits" with the following:

INSTRUCTIONS:

Deliver this form for both equity and debt DAP/RAP trades together with Exhibits A, B and C pursuant to section 4.1 of the Instrument, covering the calendar quarter indicated above, within 45 days of the end of the calendar quarter if

(a) less than 90 per cent of the equity and/or debt DAP/RAP trades executed by or for you during the quarter matched within the time required in Part 3 of the Instrument, or

(b) the equity and/or debt DAP/RAP trades executed by or for you during the quarter that matched within the time required in Part 3 of the Instrument represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics. Exhibit A(1) applies only to trades in equity and ETF securities. Exhibit A(2) applies only to trades in debt and other fixed-income securities.**.**

12. Form 24-101F1 is amended by replacing **Exhibit A – DAP/RAP trade statistics for the quarter** ***with the following:***

Exhibit A – DAP/RAP trade statistics for the quarter

If applicable, complete Table 1 or 2, or both, below for each calendar quarter. Deadline means noon Eastern time on T+1.

(1) Equity DAP/RAP trades (includes ETF trades)

Entered into the clearing agency by deadline (to be completed by dealers only)				*Matched (to be completed by dealers and advisers)*							
# of trades	**%**	**$ value of trades**	**%**	**# of trades matched**	**%**	**$ value of trades matched**	**%**	**# of trades matched by deadline**	**%**	**$ value of trades matched by deadline**	**%**

(2) Debt DAP/RAP trades

Entered into the clearing agency by deadline (to be completed by dealers only)				*Matched (to be completed by dealers and advisers)*							
# of trades	**%**	**$ value of trades**	**%**	**# of trades matched**	**%**	**$ value of trades matched**	**%**	**# of trades matched by deadline**	**%**	**$ value of trades matched by deadline**	**%**

Legend

"# of Trades" is the total number of transactions in the calendar quarter;
"$ Value of Trades" is the total value of the transactions (purchases and sales) in the calendar quarter.

13. Form 24-101F1 is amended in Exhibit B and C by replacing "Companion Policy 24-101CP***" with "***Companion Policy 24-101***".***

14. Form 24-101F2 is amended by replacing the instructions before the heading "Exhibits" with the following:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 5.1 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

Include client trades in an exchange-traded fund (ETF) security in the equity trades statistics.

Exhibits must be provided in an electronic file, in the following file format: "CSV" (Comma Separated Variable) (e.g., the format produced by Microsoft Excel)..

15. Form 24-101F2 is further amended in Exhibit A, in Tables 1 and 2, by

(a) ***deleting the row titled "***T+3***", and***

(b) ***replacing "***>T+3***" with "***>T+2***".***

16. Form 24-101F3 is amended under the heading "**INSTRUCTIONS:*****" by***

(a) ***deleting "***or 10.2(4)***",***

(b) ***replacing "***shall***" with "***must***", and***

(c) ***deleting the following:***

If you are delivering Form 24-101F3 pursuant to section 10.2 (4) of the Instrument, simply indicate at the top of this form under "Date of Commencement Information" that you were already carrying on business as a matching service utility in the relevant jurisdiction on the date that Part 6 of the Instrument came into force***.***

17. Form 24-101F4 is amended under the heading "**INSTRUCTIONS:*****" by replacing "***shall***" with "***must***" in the second paragraph.***

18. Form 24-101F5 is amended under the heading "**INSTRUCTIONS:*****" by***

(a) ***adding the following paragraph after the first paragraph:***

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics***., and***

(b) ***replacing "***shall***" with "***must***" wherever it appears.***

19. Form 24-101F5 is amended in Exhibit C, Tables 1 and 2, by

(a) ***deleting the row titled "***T+3***", and***

(b) ***replacing "***>T+3***" with "***>T+2***".***

Transition

Registered firm's exception report – former rules apply to first quarter ending after the effective date

20. (1) For the purposes of the calculations under National Instrument 24-101 *Institutional Trade Matching and Settlement* that determine whether, with respect to the first calendar quarter ending after the effective date, Form 24-101F1 must be delivered under section 4.1 of that Instrument, a registered firm may make the determination under that Instrument as it was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

(2) If a registered firm is required to deliver Form 24-101F1, and the effective date is not the first day of a calendar quarter, with respect to the first calendar quarter ending after the effective date, the

firm may comply with the requirement by delivering the version of Form 24-101F1 that was in force on the day before the effective date.

Clearing agency's operations report – former rules apply to first quarter ending after the effective date

21. For the purposes of section 5.1 of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a clearing agency may comply with the requirement to deliver Form 24-101F2, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F2 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

Matching service utility's operations report – former rules apply to first quarter ending after the effective date

22. For the purposes of section 6.4(1) of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a matching service utility may comply with the requirement to deliver Form 24-101F5, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F5 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

Meaning of effective date

23. For the purposes of sections 20 to 22 of this Instrument, "effective date" means the date this Instrument comes into force.

Effective Date

In one or more jurisdictions, the means by which this Instrument may be brought into force may differ from that set out in section 24 of this Instrument. Regardless of the means, the effective date will be the same in all jurisdictions.

24. (1) Except in Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut, and Prince Edward Island, this Instrument comes into force on the later of the following:

(a) September 5, 2017;

(b) if this Instrument is filed with the Registrar of Regulations after September 5, 2017, on the day on which it is filed with the Registrar of Regulations.

(2) In Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut and Prince Edward Island this Instrument comes into force on the later of the following:

(a) September 5, 2017;

(b) in the event that the SEC extends the current compliance date of September 5, 2017 for broker-dealers in the United States to meet a new T+2 settlement standard under the amendments to Rule 15c6-1, the extended date set by the SEC to be such compliance date.

(3) For the purposes of paragraph (2)(b),

(a) "SEC" means the United States Securities and Exchange Commission;

(b) "Rule 15c6-1" means SEC Rule 15c6-1, *Securities Transactions Settlement*, Exchange Act Release No. 33023 (Oct. 6, 1993), 58 FR 52891, 52893 (Oct. 13, 1993); generally cited as: 17 CFR 240.15c6-1; and

(c) "amendments to Rule 15c6-1" means amendments made by the SEC to Rule 15c6-1 published on March 29, 2017 in the Federal Register in the United States to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2, as set forth in SEC Release No. 34-80295; File No. S7-22-16 (RIN 3235-AL86), *Securities Transaction Settlement Cycle*; Final rule.

ANNEX D

Changes to
Companion Policy 24-101
Institutional Trade Matching and Settlement

1. ***Companion Policy 24-101 Institutional Trade Matching and Settlement is changed by this Document.***

2. ***The title of the Companion Policy is replaced by the following:***

COMPANION POLICY 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT

3. ***Subsection 1.2(2) is changed by replacing, in the last sentence of footnote 3, the words "***within one hour of the execution of the trade***" with "***by no later than 6 pm on the day of the trade***".***

4. ***Paragraph 1.2(3)(c) is changed by replacing footnote 5 by the following:***

[5] See, for example, section 14.12 of NI 31-103 and IIROC Member Rule 200.1(h)**.**

5. ***Subsection 1.3(1) (including footnotes) is replaced by the following (including a footnote):***

(1) <u>*Clearing agency*</u>
While the terms "clearing agency" and "recognized clearing agency" are generally defined in securities legislation,[6] we have defined *clearing agency* for the purposes of the Instrument to narrow its scope to a recognized clearing agency that operates as a securities settlement system. The term *securities settlement system* is defined in National Instrument 24-102 *Clearing Agency Requirements* as a system that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Today, the definition of *clearing agency* in the Instrument applies to CDS Clearing and Depository Services Inc. (**CDS**). For the purposes of the Instrument, a clearing agency includes, in Québec, a clearing house and settlement system within the meaning of the *Securities Act* (Québec). See subsection 1.2(2). [footnote 6: See, for example, s. 1(1) of the *Securities Act* (Ontario).]

6. ***Subsection 1.3(4) is changed by replacing the words "***the Joint Financial Questionnaire and Report of the Canadian SROs***" with "***IIROC Form 1, Part II***".***

7. ***Section 2.2 is changed by***

(a) adding "Eastern Time***" after "***12p.m. (noon)***",***

(b) deleting the second and third sentences, and

(c) adding after the first sentence the following new sentence (including a footnote):

The policies and procedures requirement of Part 3 of the Instrument is consistent with the overarching obligation of a registered firm to manage the risks associated with its business in accordance with

prudent business practices.[7] [footnote 7: See s. 11.1 of NI 31-103, which requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with their business in accordance with prudent business practices.]

8. Section 3.1 is changed by

(a) replacing in paragraph (a), the words "a percentage target of the DAP/RAP trades***" with "***90 percent of the DAP/RAP trades (by volume and value)***", and***

(b) replacing the first word "They…***" in the second sentence of paragraph (b) with the following:***

DAP/RAP trades in exchange-traded funds are reportable in the equities category of DAP/RAP trades.

Form 24-101F1 should only be submitted for DAP/RAP trades for the type of security (equity or debt) that did not meet the 90 percent threshold by the relevant timeline. If a registered firm does not meet the threshold for both equity and debt DAP/RAP trades, then it should submit the Form for both equity and debt DAP/RAP trades (i.e., by completing both tables in Exhibit A of Form 24-101F1). If the firm does not meet the threshold only for one type of security (i.e., for equity but not debt, or for debt but not equity), it should only submit the Form for the one type of security, by completing only one of the tables in Exhibit A of Form 24-101F1. A registered firm … **.**

9. Paragraph 3.2(b) is changed by

(a) replacing the first sentence with the following:

The Canadian securities regulatory authorities may consider the consistent inability to meet the matching percentage target as evidence that either the policies and procedures of one or more of the trade matching parties have not been properly designed or, if properly designed, have been inadequately complied with***., and***

(b) replacing, in the second sentence, the word "will***" with "***may***".***

10. Section 3.3 is changed by replacing "participants or users/subscribers***" with "***participants, users or subscribers***".***

11. Section 3.4 is changed by replacing "may***" with "***are encouraged to***".***

12. Subsection 4.1(1) is changed by

(a) replacing the first word ("The…***") in the second sentence with the following "***For the purposes of the Instrument, the…***", and***

(b) adding the following text (including a footnote) after the last sentence:

In Québec, a person or company that seeks to provide centralized facilities for matching must, in addition to the requirements of the Instrument, apply for recognition as a matching service utility or for an exemption from the requirement to be recognized as a matching service utility pursuant to the *Securities Act* (Québec) or *Derivatives Act* (Québec). In certain other jurisdictions, in

addition to the requirements of the Instrument, such person or company may be required to apply either for recognition as a clearing agency or for an exemption from the requirement to be recognized as a clearing agency.[10] [footnote 10: See, for example, the scope of the definition of "clearing agency" in s. 1(1) of the *Securities Act* (Ontario), which includes providing centralized facilities "for comparing data respecting the terms of settlement of a trade or transaction".]**.**

13. Section 4.2 is changed by replacing "Sections 6.1(1) and 10.2(4) of the Instrument require …***" with "***Subsection 6.1(1) of the Instrument requires***".***

14. Section 5.1 is changed by

(a) replacing "T+3***" with "***T+2***", and***

(b) renumbering footnote 10 to 11.

15. This Document becomes effective on the same day as the instrument amending National Instrument 24-101 *Institutional Trade Matching and Settlement* (see Annex C of this Notice) becomes effective**.**

***

ANNEX E

Blackline Version to National Instrument 24-101
Institutional Trade Matching and Settlement

The amendments reflected in this blackline are being brought into force at the earliest on September 5, 2017 (effective date). However, it is possible that the effective date may be extended under certain circumstances. Moreover, the application of the amended provisions in the National Instrument is subject to certain transitional relief. Please see sections 20 to 24 of the instrument that amends this National Instrument in Annex C of this publication.

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PART 10	EFFECTIVE DATES AND TRANSITION

FORMS	TITLE
24-101F1	REGISTERED FIRM EXCEPTION REPORT OF DAP/RAP TRADE REPORTING AND MATCHING
24-101F2	CLEARING AGENCY – QUARTERLY OPERATIONS REPORT OF INSTITUTIONAL TRADE REPORTING AND MATCHING
24-101F3	MATCHING SERVICE UTILITY – NOTICE OF OPERATIONS
24-101F4	MATCHING SERVICE UTILITY – NOTICE OF CESSATION OF OPERATIONS
24-101F5	MATCHING SERVICE UTILITY – QUARTERLY OPERATIONS REPORT OF INSTITUTIONAL TRADE REPORTING AND MATCHING

National Instrument 24-101
Institutional Trade Matching and Settlement

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions —

In this Instrument,

"clearing agency" means, a recognized clearing agency that operates as a "securities settlement system" as defined in section 1.1 of National Instrument 24-102 *Clearing Agency Requirements*;

~~(a) in Ontario, a clearing agency recognized by the securities regulatory authority under section 21.2 of the *Securities Act* (Ontario),~~

~~(b) in Québec, a clearing house for securities recognized by the securities regulatory authority, and~~

~~(c) in every other jurisdiction, an entity that is carrying on business as a clearing agency in the jurisdiction;~~

"custodian" means a person or company that holds securities for the benefit of another under a custodial agreement or other custodial arrangement;

"DAP/RAP trade" means a trade in a security

(a) executed for a client trading account that permits settlement on a delivery against payment or receipt against payment basis through the facilities of a clearing agency, and

(b) for which settlement is ~~made~~completed on behalf of the client by a custodian other than the dealer that executed the trade;

"institutional investor" means a client of a dealer that has been granted DAP/RAP trading privileges by the dealer;

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"matching service utility" means a person or company that provides centralized facilities for matching, but does not include a clearing agency;

~~"North American region" means Canada, the United States, Mexico, Bermuda and the countries of Central America and the Caribbean;~~

"registered firm" means a person or company registered under securities legislation as a dealer or adviser;

"trade-matching agreement" means, for trades executed with or on behalf of an institutional investor, a written agreement entered into among trade-matching parties setting out the roles and responsibilities of the trade-matching parties in matching those trades and including, without

limitation, a term by which the trade-matching parties agree to establish, maintain and enforce policies and procedures designed to achieve matching as soon as practical after a trade is executed;

"trade-matching party" means, for a trade executed with or on behalf of an institutional investor,

(a) a registered adviser acting for the institutional investor in processing the trade,

(b) if a registered adviser is not acting for the institutional investor in processing the trade, the institutional investor unless the institutional investor is

(i) an individual, or

(ii) a person or company with total securities under administration or management not exceeding $10 million,

(c) a registered dealer executing or clearing the trade, or

(d) a custodian of the institutional investor settling the trade;

"trade-matching statement" means, for trades executed with or on behalf of an institutional investor, a signed written statement of a trade-matching party confirming that it has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after a trade is executed;

"T" means the day on which a trade is executed;

"T+1" means the next business day following T;

"T+2" means the second business day following T~~;"T+3" means the third business day following T~~.

1.2 Interpretation — trade matching and ~~Eastern Time~~clearing agency —

(1) In this Instrument, matching is the process by which

(a) the details and settlement instructions of an executed DAP/RAP trade are reported, verified, confirmed and affirmed or otherwise agreed to among the trade-matching parties, and

(b) unless the process is effected through the facilities of a clearing agency, the matched details and settlement instructions are reported to a clearing agency.

(2) ~~Unless the context otherwise requires, a reference in this Instrument to~~For the purposes of this Instrument, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the *Securities Act* (Québec).

~~(a) a time is to Eastern Time, and~~

~~(b) a day is to a twenty-four hour day from midnight to midnight Eastern Time.~~

PART 2 APPLICATION

2.1 This Instrument does not apply to

(a) a trade in a security of an issuer that has not been previously issued or for which a prospectus is required to be sent or delivered to the purchaser under securities legislation,

(b) a trade in a security to the issuer of the security,

(c) a trade made in connection with a take-over bid, issuer bid, amalgamation, merger, reorganization, arrangement or similar transaction,

(d) a trade made in accordance with the terms of conversion, exchange or exercise of a security previously issued by an issuer,

(e) a trade that is a securities lending, repurchase, reverse repurchase or similar financing transaction,

(f) a ~~trade in a security of a mutual fund to which~~purchase governed by Part 9, or a redemption governed by Part 10, of National Instrument 81-102~~—*Mutual*~~ *Investment Funds* ~~applies~~,

(g) a trade to be settled outside Canada,

(h) a trade in an option, futures contract or similar derivative, or

(i) a trade in a negotiable promissory note, commercial paper or similar short-term debt obligation that, in the normal course, would settle in Canada on T.

PART 3 TRADE MATCHING REQUIREMENTS

3.1 Matching deadlines for registered dealer —

(1) A registered dealer ~~shall~~must not execute a DAP/RAP trade with or on behalf of an institutional investor unless the dealer has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after such a trade is executed and in any event no later than 12 p.m. (noon) Eastern Time on T+1.

(2) ~~Despite subsection (1), the dealer may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.~~[REPEALED]

3.2 Pre-DAP/RAP trade execution documentation requirement for dealers —

A registered dealer ~~shall~~must not open an account to execute a DAP/RAP trade for an institutional investor or accept an order to execute a DAP/RAP trade for the account of an institutional investor unless its policies and procedures are designed to encourage each trade-matching party to

(a) enter into a trade-matching agreement with the dealer, or

(b) provide a trade-matching statement to the dealer.

3.3 Matching deadlines for registered adviser —

(1) A registered adviser ~~shall~~must not give an order to a dealer to execute a DAP/RAP trade on behalf of an institutional investor unless the adviser has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after such a trade is executed and in any event no later than 12 p.m. (noon) Eastern Time on T+1.

(2) ~~Despite subsection (1), the adviser may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.~~ [REPEALED]

3.4 Pre-DAP/RAP trade execution documentation requirement for advisers —

A registered adviser ~~shall~~must not open an account to execute a DAP/RAP trade for an institutional investor or give an order to a dealer to execute a DAP/RAP trade for the account of an institutional investor unless its policies and procedures are designed to encourage each trade-matching party to

(a) enter into a trade-matching agreement with the adviser, or

(b) provide a trade-matching statement to the adviser.

PART 4 REPORTING BY REGISTERED FIRMS

4.1 Exception reporting requirement

A registered firm ~~shall~~must deliver Form 24-101F1 to the securities regulatory authority no later than 45 days after the end of a calendar quarter if

(a) less than 90 per cent of the DAP/RAP trades executed by or for the registered firm during the quarter matched within the time required in Part 3, or

(b) the DAP/RAP trades executed by or for the registered firm during the quarter that matched within the time required in Part 3 represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.

PART 5 REPORTING REQUIREMENTS FOR CLEARING AGENCIES

5.1 A clearing agency ~~through which trades governed by this Instrument are cleared and settled shall~~must deliver Form 24-101F2 to the securities regulatory authority no later than 30 days after the end of a calendar quarter.

PART 6 REQUIREMENTS FOR MATCHING SERVICE UTILITIES

6.1 Initial information reporting —

(1) A person or company ~~shall~~must not carry on business as a matching service utility unless

(a) the person or company has delivered Form 24-101F3 to the securities regulatory authority, and

(b) at least 90 days have passed since the person or company delivered Form 24-101F3.

(2) During the 90 day period referred to in subsection (1), if there is a significant change to the information in the delivered Form 24-101F3, the person or company ~~shall~~must inform the securities regulatory authority in writing immediately of that significant change by delivering an amendment to Form 24-101F3 in the manner set out in Form 24-101F3.

6.2 Anticipated change to operations —

At least 45 days before implementing a significant change to any item set out in Form 24-101F3, a matching service utility ~~shall~~must deliver an amendment to the information in the manner set out in Form 24-101F3.

6.3 Ceasing to carry on business as a matching service utility —

(1) If a matching service utility intends to cease carrying on business as a matching service utility, it ~~shall~~must deliver a report on Form 24-101F4 to the securities regulatory authority at least 30 days before ceasing to carry on that business.

(2) If a matching service utility involuntarily ceases to carry on business as a matching service utility, it ~~shall~~must deliver a report on Form 24-101F4 as soon as practical after it ceases to carry on that business.

6.4 Ongoing information reporting and record keeping —

(1) A matching service utility ~~shall~~must deliver Form 24-101F5 to the securities regulatory authority no later than 30 days after the end of a calendar quarter.

(2) A matching service utility ~~shall~~must keep such books, records and other documents as are reasonably necessary to properly record its business.

6.5 System requirements —

For all of its core systems supporting trade matching, a matching service utility ~~shall~~must

(a) 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 of those systems to determine the ability of the systems to process transactions in an accurate, timely and efficient manner,

(iii) implement reasonable procedures to review and keep current the testing methodology of those systems,

(iv) review the vulnerability of those systems and data centre computer operations to internal and external threats, including breaches of security, physical hazards and natural disasters, and

(v) maintain adequate contingency and business continuity plans;

(b) annually cause to be performed an independent review and written report, in accordance with generally accepted auditing standards, of the stated internal control objectives of those systems; and

(c) promptly notify the securities regulatory authority of a material failure of those systems.

PART 7 TRADE SETTLEMENT

7.1 Trade settlement by registered dealer —

(1) A registered dealer ~~shall~~must not execute a trade unless the dealer has established, maintains and enforces policies and procedures designed to facilitate settlement of the trade on a date that is no later than the standard settlement date for the type of security traded prescribed by an SRO or the marketplace on which the trade would be executed.

(2) Subsection (1) does not apply to a trade for which terms of settlement have been expressly agreed to by the counterparties to the trade at or before the trade was executed.

PART 8 REQUIREMENTS OF SELF-REGULATORY ORGANIZATIONS AND OTHERS

8.1 A clearing agency or matching service utility ~~shall~~must have rules or other instruments or procedures that are consistent with the requirements of Parts 3 and 7.

8.2 A requirement of this Instrument does not apply to a member of an SRO if the member complies with a rule or other instrument of the SRO that deals with the same subject matter as the requirement and that has been approved, non-disapproved, or non-objected to by the securities regulatory authority and published by the SRO.

PART 9 EXEMPTION

9.1 Exemption —

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 10 EFFECTIVE DATES AND TRANSITION

10.1 Effective dates

[LAPSED]

10.2 Transition

[LAPSED]

Form 24-101F1

Registered Firm
Exception Report of
Dap/Rap Trade Reporting and Matching

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

REGISTERED FIRM IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of registered firm (if sole proprietor, last, first and middle name):

2. Name(s) under which business is conducted, if different from item 1:

3a. Address of registered firm's principal place of business:

3b. Indicate below the jurisdiction of your principal regulator within the meaning of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*:

☐ Alberta
☐ British Columbia
☐ Manitoba
☐ New Brunswick
☐ Newfoundland & Labrador
☐ Northwest Territories
☐ Nova Scotia
☐ Nunavut
☐ Ontario
☐ Prince Edward Island
☐ Québec
☐ Saskatchewan
☐ Yukon

3c. Indicate below all jurisdictions in which you are registered:

☐ Alberta
☐ British Columbia
☐ Manitoba
☐ New Brunswick
☐ Newfoundland & Labrador
☐ Northwest Territories
☐ Nova Scotia
☐ Nunavut
☐ Ontario
☐ Prince Edward Island
☐ Québec
☐ Saskatchewan
☐ Yukon

4. Mailing address, if different from business address:

5. Type of business: O Dealer O Adviser

6. Category of registration:

7. (a) Registered Firm NRD number:

   (b) If the registered firm is a participant of a clearing agency, the registered firm's CUID number:

8. Contact employee name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form for both equity and debt DAP/RAP trades together with Exhibits A, B and C pursuant to section 4.1 of the Instrument, covering the calendar quarter indicated above, within 45 days of the end of the calendar quarter if

(a) ~~(a) less~~Less than 90 ~~per cent~~percent of the equity and/or debt DAP/RAP trades executed by or for you during the quarter matched within the time required in Part 3 of the Instrument, or

(b) ~~(b) the~~The equity and/or debt DAP/RAP trades executed by or for you during the quarter that matched within the time required in Part 3 of the Instrument represent less than 90 ~~per cent~~percent of the aggregate value of the securities purchased and sold in those trades.

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics. Exhibit A(1) applies only to trades in equity and ETF securities. Exhibit A(2) applies only to trades in debt and other fixed-income securities.

EXHIBITS:

Exhibit A – DAP/RAP trade statistics for the quarter

~~Complete Tables 1 and 2~~If applicable, complete Table 1 or 2, or both, below for each calendar quarter. Deadline means noon Eastern time on T+1.

(1) Equity DAP/RAP trades (includes ETF trades)

Entered into ~~CDS~~the clearing agency by deadline (to be completed by dealers only)				*Matched (to be completed by ~~deadline~~dealers and advisers)*							
# of ~~Trades~~trades	**%**	**$ ~~Value~~value of ~~Trades~~trades**	**%**	**# of ~~Trades~~ trades matched**	**%**	**$ ~~Value of Trades~~ value of trades matched**	**%**	**# of trades matched by deadline**	**%**	**$ value of trades matched by deadline**	**%**

(2) Debt DAP/RAP trades

Entered into ~~CDS~~the clearing agency by deadline (to be completed by dealers only)				*Matched (to be completed by ~~deadline~~dealers and advisers)*							
# of ~~Trades~~ trades	**%**	**$ ~~Value of Trades~~ value of trades**	**%**	**# of ~~Trades~~ trades matched**	**%**	**$ ~~Value~~value of ~~Trades~~ trades matched**	**%**	**# of trades matched by deadline**	**%**	**$ value of trades matched by deadline**	**%**

Legend

"# of Trades" is the total number of transactions in the calendar quarter;
"$ Value of Trades" is the total value of the transactions (purchases and sales) in the calendar quarter.

Exhibit B – Reasons for not meeting exception reporting thresholds

Describe the circumstances or underlying causes that resulted in or contributed to the failure to achieve the percentage target for matched equity and/or debt DAP/RAP trades within the maximum time prescribed by Part 3 of the Instrument. Reasons given could be one or more matters within your control or due to another trade-matching party or service provider. If you have insufficient information to determine the percentages, the reason for this should be provided. See also Companion Policy 24-101~~CP~~ to the Instrument.

Exhibit C – Steps to address delays

Describe what specific steps you are taking to resolve delays in the equity and/or debt DAP/RAP trade reporting and matching process in the future. Indicate when each of these steps is expected to be implemented. The steps being taken could be internally focused, such as implementing a new system or procedure, or externally focused, such as meeting with a trade-matching party to determine what action should be taken by that party. If you have insufficient information to determine the percentages, the steps being taken to obtain this information should be provided. See also Companion Policy 24-101~~CP~~ to the Instrument.

CERTIFICATE OF REGISTERED FIRM

The undersigned certifies that the information given in this report on behalf of the registered firm is true and correct.

DATED at _____ this ____ day of _____ 20___

_____
(Name of registered firm - type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

Form 24-101F2

Clearing Agency
Quarterly Operations Report of
Institutional Trade Reporting and Matching

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of clearing agency:

2. Name(s) under which business is conducted, if different from item 1:

3. Address of clearing agency's principal place of business:

4. Mailing address, if different from business address:

5. Contact employee name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 5.1 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

Include client trades in an exchange-traded fund (ETF) security in the equity trades statistics.

Exhibits ~~shall~~must be provided in an electronic file, in the following file format: " "CSV"" (Comma Separated Variable) (e.g., the format produced by Microsoft Excel).

EXHIBITS:

1. DATA REPORTING

Exhibit A – Aggregate matched trade statistics

For client trades, provide the information to complete Tables 1 and 2 below for each month in the quarter. These two tables can be integrated into one report. Provide separate aggregate information for trades that have been reported or entered into your facilities as matched trades by a matching service utility.

Month/Year: _____ (MMM/YYYY)

Table 1 --- Equity trades:

	Entered into clearing agency by dealers				Matched in clearing agency by custodians			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 - noon								
T+1								
T+2								
~~T+3~~								
>T+~~3~~2								
Total								

Table 2 — Debt trades:

	Entered into clearing agency by dealers				Matched in clearing agency by custodians			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 - noon								
T+1								
T+2								
~~T+3~~								
>T+~~3~~2								
Total								

Legend

"# of Trades" is the total number of transactions in the month;
"$ Value of Trades" is the total value of the transactions (purchases and sales) in the month.

Exhibit B – Individual matched trade statistics

Using the same format as Exhibit A above, provide the relevant information for each participant of the clearing agency in respect of client trades during the quarter that have been entered by the participant and matched within the timelines indicated in Exhibit A.

CERTIFICATE OF CLEARING AGENCY

The undersigned certifies that the information given in this report on behalf of the clearing agency is true and correct.

DATED at _____ this ____ day of _____ 20___

_____

(Name of clearing agency - type or print)

_____

(Name of director, officer or partner - type or print)

_____

(Signature of director, officer or partner)

_____

(Official capacity - type or print)

Form 24-101F3

Matching Service Utility
Notice of Operations

DATE OF COMMENCEMENT INFORMATION:

Effective date of commencement of operations: _____ (DD/MMM/YYYY)

TYPE OF INFORMATION: O INITIAL SUBMISSION O AMENDMENT

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:

2. Name(s) under which business is conducted, if different from item 1:

3. Address of matching service utility's principal place of business:

4. Mailing address, if different from business address:

5. Contact employee name:

   Telephone number:

   E-mail address:

6. Legal counsel:

   Firm name:

   Telephone number:

   E-mail address:

GENERAL INFORMATION:

7. Website address:

8. Date of financial year-end: _____ (DD/MMM/YYYY)

9. Indicate the form of your legal status (e.g., corporation, limited or general partnership), the date of formation, and the jurisdiction under which you were formed:

   Legal status: O CORPORATION O PARTNERSHIP
   O OTHER (SPECIFY):

   (a) Date of formation: _____ (DD/MMM/YYYY)

   (b) Jurisdiction and manner of formation:

10. Specify the general types of securities for which information is being or will be received and processed by you for transmission of matched trades to a clearing agency (e.g. exchange-traded domestic equity and debt securities, exchange-traded foreign equity and debt securities, equity and debt securities traded over-the-counter).

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.1~~ or 10.2(4)~~ of the Instrument.

For each exhibit, include your name, the date of delivery of the exhibit and the date as of which the information is accurate (if different from the date of the delivery). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable ~~shall~~must be furnished in lieu of the exhibit. To the extent information requested for an exhibit is identical to the information requested in another form that you have filed or delivered under National Instrument 21-101 *Marketplace Operation*, simply attach a copy of that other form and indicate in this form where such information can be found in that other form.

If you are delivering an amendment to Form 24-101F3 pursuant to section 6.1(2) or 6.2 of the Instrument, and the amended information relates to an exhibit that was delivered with such form, provide a description of the change and complete and deliver an updated exhibit.~~ If you are delivering Form 24-101F3 pursuant to section 10.2(4) of the Instrument, simply indicate at the top of this form under "Date of Commencement Information" that you were already carrying on business as a matching service utility in the relevant jurisdiction on the date that Part 6 of the Instrument came into force.~~

EXHIBITS:

1. CORPORATE GOVERNANCE

Exhibit A – Constating documents

Provide a copy of your constating documents, including corporate by-laws and other similar documents, as amended from time to time.

Exhibit B – Ownership

List any person or company that owns 10 per cent or more of your voting securities or that, either directly or indirectly, through agreement or otherwise, may control your management. Provide the full name and address of each person or company and attach a copy of the agreement or, if there is no written agreement, briefly describe the agreement or basis through which the person or company exercises or may exercise control or direction.

Exhibit C – Officials

Provide a list of the partners, officers, directors or persons performing similar functions who presently hold or have held their offices or positions during the current and previous calendar year, indicating the following for each:

1. Name.

2. Title.

3. Dates of commencement and expiry of present term of office or position and length of time the office or position held.

4. Type of business in which each is primarily engaged and current employer.

5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.

6. Whether the person is considered to be an independent director.

Exhibit D – Organizational structure

Provide a narrative or graphic description of your organizational structure.

Exhibit E – Affiliated entities

For each person or company affiliated to you, provide the following information:

1. Name and address of affiliated entity.

2. Form of organization (e.g., association, corporation, partnership).

3. Name of jurisdiction and statute under which organized.

4. Date of incorporation in present form.

5. Brief description of nature and extent of affiliation or contractual or other agreement with you.

6. Brief description of business services or functions.

7. If a person or company has ceased to be affiliated with you during the previous year or ceased to have a contractual or other agreement relating to your operations during the previous year, provide a brief statement of the reasons for termination of the relationship.

2. FINANCIAL VIABILITY

Exhibit F – Audited financial statements

Provide your audited financial statements for the latest financial year and a report prepared by an independent auditor.

3. FEES

Exhibit G – Fee list, fee structure

Provide a complete list of all fees and other charges imposed, or to be imposed, by you for use of your services as a matching service utility, including the cost of establishing a connection to your systems.

4. ACCESS

Exhibit H – Users

Provide a list of all users or subscribers for which you provide or propose to provide the services of a matching service utility. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, adviser or other party).

If applicable, for each instance during the past year in which any user or subscriber of your services has been prohibited or limited in respect of access to such services, indicate the name of each such user or subscriber and the reason for the prohibition or limitation.

Exhibit I – User contract

Provide a copy of each form of agreement governing the terms by which users or subscribers may subscribe to your services of a matching service utility.

5. SYSTEMS AND OPERATIONS

Exhibit J – System description

Describe the manner of operation of your systems for performing your services of a matching service utility (including, without limitation, systems that collect and process trade execution details and settlement instructions for matching of trades). This description should include the following:

1. The hours of operation of the systems, including communication with a clearing agency.

2. Locations of operations and systems (e.g., countries and cities where computers are operated, primary and backup).

3. A brief description in narrative form of each service or function performed by you.

6. SYSTEMS COMPLIANCE

Exhibit K – Security

Provide a brief description of the processes and procedures implemented by you to provide for the security of any system used to perform your services of a matching service utility.

Exhibit L – Capacity planning and measurement

1. Provide a brief description of capacity planning/performance measurement techniques and system and stress testing methodologies.
2. Provide a brief description of testing methodologies with users or subscribers. For example, when are user/subscriber tests employed? How extensive are these tests?

Exhibit M – Business continuity

Provide a brief description of your contingency and business continuity plans in the event of a catastrophe.

Exhibit N – Material systems failures

Provide a brief description of policies and procedures in place for reporting to regulators material systems failures. Material systems failures include serious incidents that result in the interruption of the matching of trades for more than thirty minutes during normal business hours.

Exhibit O – Independent systems audit

1. Briefly describe your plans to provide an annual independent audit of your systems.

2. If applicable, provide a copy of the last external systems operations audit report.

7. INTEROPERABILITY

Exhibit P – Interoperability agreements

List all other matching service utilities for which you have entered into an *interoperability* agreement. Provide a copy of all such agreements.

8. OUTSOURCING

Exhibit Q – Outsourcing firms

For each person or company (outsourcing firm) with whom or which you have an outsourcing agreement or arrangement relating to your services of a matching service utility, provide the following information:

1. Name and address of the outsourcing firm.

2. Brief description of business services or functions of the outsourcing firm.

3. Brief description of the outsourcing firm's contingency and business continuity plans in the event of a catastrophe.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this _____ day of _____ 20____

_____
(Name of matching service utility - type or print)

_____
(Name of director, officer or partner - type or print)

_____

(Signature of director, officer or partner)

_____

(Official capacity - type or print)

Form 24-101F4

Matching Service Utility
Notice of Cessation of Operations

DATE OF CESSATION INFORMATION:

Type of information: O VOLUNTARY CESSATION

O INVOLUNTARY CESSATION

Effective date of operations cessation: _____ (DD/MMM/YYYY)

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:

2. Name(s) under which business is conducted, if different from item 1:

3. Address of matching service utility's principal place of business:

4. Mailing address, if different from business address:

5. Legal counsel:

   Firm name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.3 of the Instrument.

For each exhibit, include your name, the date of delivery of the exhibit and the date as of which the information is accurate (if different from the date of the delivery). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable ~~shall~~must be furnished in lieu of the exhibit.

EXHIBITS:

Exhibit A

Provide the reasons for your cessation of business.

Exhibit B

Provide a list of all the users or subscribers for which you provided services during the last 30 days prior to you ceasing business. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, adviser, or other party).

Exhibit C

List all other matching service utilities for which an *interoperability* agreement was in force immediately prior to cessation of business.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this_____ day of _____ 20____

_____
(Name of matching service utility - type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

Form 24-101F5

Matching Service Utility
Quarterly Operations Report of
Institutional Trade Reporting and Matching

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:

2. Name(s) under which business is conducted, if different from item 1:

3. Address of matching service utility's principal place of business:

4. Mailing address, if different from business address:

5. Contact employee name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.4 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics.

Exhibits ~~shall~~must be reported in an electronic file, in the following format: "CSV" (Comma Separated Variable) (e.g., the format produced by Microsoft Excel).

If any information specified is not available, a full statement describing why the information is not available ~~shall~~must be separately furnished.

EXHIBITS

1. SYSTEMS REPORTING

Exhibit A – External systems audit

If an external audit report on your core systems was prepared during the quarter, provide a copy of the report.

Exhibit B – Material systems failures reporting

Provide a brief summary of all material systems failures that occurred during the quarter and for which you were required to notify the securities regulatory authority under section 6.5(c) of the Instrument.

2. DATA REPORTING

Exhibit C – Aggregate matched trade statistics

Provide the information to complete Tables 1 and 2 below for each month in the quarter. These two tables can be integrated into one report.

Month/Year: _____ (MMM/YYYY)

Table 1 — Equity trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 - noon								
T+1								
T+2								
~~T+3~~								
>T+~~3~~2								
Total								

Table 2 — Debt trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 - noon								
T+1								
T+2								
~~T+3~~								
>T+~~3~~2								
Total								

Legend

"# of Trades" is the total number of transactions in the month;
"$ Value of Trades" is the total value of the transactions (purchases and sales) in the month.

Exhibit D – Individual matched trade statistics

Using the same format as Exhibit C above, provide the relevant information for each user or subscriber in respect of trades during the quarter that have been entered by the user or subscriber and matched within the timelines indicated in Exhibit C.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this ____ day of _____ 20___

_____
(Name of matching service utility- type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

~~Canadian Securities Administrators~~**Annex F**

Blackline Version to

Companion Policy 24-101~~CP~~

~~to National Instrument 24-101~~

Institutional Trade Matching and Settlement

The changes reflected in this blackline are being implemented at the earliest on September 5, 2017 (effective date). However, it is possible that the effective date may be extended under certain circumstances. Please see section 15 of the document that changes the Companion Policy in Annex D of this publication, together with section 24 of the instrument that amends the National Instrument in Annex C of this publication.

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PART 5	TRADE SETTLEMENT
PART 6	REQUIREMENTS OF SELF-REGULATORY ORGANIZATIONS AND OTHERS

Companion Policy 24-101~~CP~~
~~to National Instrument 24-101 —~~
Institutional Trade Matching and Settlement

PART 1 INTRODUCTION, PURPOSE AND DEFINITIONS[1]

1.1 Purpose of Instrument — National Instrument 24-101—*Institutional Trade Matching and Settlement* (Instrument) provides a framework in provincial securities regulation for more efficient and timely trade settlement processing, particularly institutional trades. The increasing volumes and dollar values of securities traded in Canada and globally by institutional investors mean existing back-office systems and procedures of market participants are challenged to meet post-execution processing demands. New requirements are needed to address the increasing risks. The Instrument is part of a broader initiative in the Canadian securities markets to implement straight-through processing (STP).[2]

1.2 General explanation of matching, clearing and settlement —

(1) *Parties to institutional trade* — A typical trade with or on behalf of an institutional investor might involve at least three parties:

- a registered adviser or other *buy-side* manager acting for an institutional investor in the trade—and often acting on behalf of more than one institutional investor in the trade (i.e., multiple underlying institutional client accounts)—who decides what securities to buy or sell and how the assets should be allocated among the client accounts;

- a registered dealer (including an Alternative Trading System registered as a dealer) responsible for executing or clearing the trade; and

- any financial institution or registered dealer (including under a *prime brokerage* arrangement) appointed to hold the institutional investor's assets and settle trades.

(2) *Matching* — A first step in settling a securities trade is to ensure that the buyer and the seller agree on the details of the transaction, a process referred to as trade confirmation and affirmation or trade *matching*.[3] A registered dealer who executes trades with or on

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[1] In this Companion Policy, the terms "CSA", "we", "our" or "us" are used interchangeably and generally mean the same thing as *Canadian securities regulatory authorities* defined in National Instrument 14-101 — *Definitions*.

[2] For a discussion of Canadian STP initiatives, see Canadian Securities Administrators' (CSA) Discussion Paper 24-401 on *Straight-through Processing* and Request for Comments, April 16, 2004 (2004) 27 OSCB 3971 to 4031 (Discussion Paper 24-401); and CSA Notice 24-301—*Responses to Comments Received on Discussion Paper 24-401 on Straight-through Processing, Proposed National Instrument 24-101 Post-trade Matching and Settlement, and Proposed Companion Policy 24-101CP to National Instrument 24-101 Post-trade Matching and Settlement*, February 11, 2005 (2005) 28 OSCB 1509 to 1526.

[3] The processes and systems for matching of "non-institutional trades" in Canada have evolved over time and become automated, such as retail trades on an exchange, which are matched or *locked-in* automatically at the exchange, or direct non-exchange trades between two participants of a clearing agency, which are generally matched through the facilities of the clearing agency. Dealer to dealer trades are subject to Investment Industry Regulatory Organization of Canada (IIROC) Member Rule 800.49, which provides

behalf of others is required to report and confirm trade details, not only with the counterparty to the trade, but also with the client for whom it acted or the client with whom it traded (in which case, the client would be the counterparty). Similarly, a registered adviser or other buy-side manager is required to report trade details and provide settlement instructions to its custodian. The parties must agree on trade details—sometimes referred to as *trade data elements*— as soon as possible so that errors and discrepancies in the trades can be discovered early in the clearing and settlement process.

(3) *Matching process* — Verifying the trade data elements is necessary to *match* a trade executed on behalf of or with an institutional investor. Matching occurs when the relevant parties to the trade have, after verifying the trade data elements, reconciled or agreed to the details of the trade. Matching also requires that any custodian holding the institutional investor's assets be in a position to affirm the trade so that the trade can be ready for the clearing and settlement process through the facilities of the clearing agency. To illustrate, trade matching usually includes these following activities:

(a) The registered dealer notifies the buy-side manager that the trade was executed.

(b) The buy-side manager advises the dealer and any custodian(s) how the securities traded are to be allocated among the underlying institutional client accounts managed by the buy-side manager.[4] For so-called *block settlement trades*, the dealer sometimes receives allocation information from the buy-side manager based only on the number of custodians holding institutional investors' assets instead of on the actual underlying institutional client accounts managed by the buy-side manager.

(c) The dealer reports and confirms the trade details to the buy-side manager and clearing agency. The trade details required to be confirmed for matching, clearing and settlement purposes are generally similar to the information required in the customer trade confirmation delivered pursuant to securities legislation or self-regulatory organization (SRO) rules.[5]

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that trades in non-exchange traded securities (including government debt securities) among dealers must be entered or accepted or rejected through the facilities of an "Acceptable Trade Matching Utility" ~~within one hour of~~by no later than 6 pm on the ~~execution~~day of the trade.

[4] We remind registered advisers of their obligations to ensure fairness in allocating investment opportunities among their clients. An adviser must establish, maintain and apply policies and procedures that provide reasonable assurance that the firm and each individual acting on its behalf fairly allocates investment opportunities among its clients. If the adviser allocates investment opportunities among its clients, the firm's fairness policies should, at a minimum, indicate the method used to allocate the following: (i) price and commission among client orders when trades are bunched or blocked; (ii) block trades and initial public offerings (IPOs) among client accounts, and (iii) block trades and IPOs among client orders that are partially filled, such as on a pro-rata basis. The fairness policies should also address any other situation where investment opportunities must be allocated.

A summary of the fairness policies must be delivered to each client at the time the adviser opens an account for the client, and in a timely manner if there is a significant change to the summary last delivered to the client.

See sections 14.3 and 14.10 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and section 14.10 of the Companion Policy to NI 31-103.

[5] See, for example, section ~~36 of the *Securities Act* (Ontario), The Toronto Stock Exchange (TSX) Rule 2-405~~14.12 of NI 31-103 and IIROC Member Rule 200.1(h).

(d) The custodian or custodians of the assets of the institutional investor verify the trade details and settlement instructions against available securities or funds held for the institutional investor. After trade details are agreed, the buy-side manager instructs the custodian(s) to release funds and/or securities to the dealer through the facilities of the clearing agency.

(4) *Clearing and settlement* — The *clearing* of a trade begins after the execution of the trade. After matching is completed, clearing will involve the calculation of the mutual obligations of participants for the exchange of securities and money—a process which generally occurs within the facilities of a clearing agency. The *settlement* of a trade is the moment when the securities are transferred finally and irrevocably from one participant to another in exchange for a corresponding transfer of money. In the context of settlement of a trade through the facilities of a clearing agency, often acting as central counterparty, settlement will be the discharge of obligations in respect of funds or securities, computed on a net basis, between and among the clearing agency and its participants. Through the operation of novation and set-off in law or by contract, the clearing agency becomes a counterparty to each trade so that the mutual obligation to settle the trade is between the clearing agency and each participant.

1.3 Section 1.1 - Definitions and scope —

(1) *Clearing agency* — While the terms "clearing agency" and "recognized clearing agency" are generally defined in securities legislation,[6] we have defined *clearing agency* for the purposes of the Instrument to narrow its scope to a recognized clearing agency that operates as a securities settlement system. The term *securities settlement system* is defined in National Instrument 24-102 *Clearing Agency Requirements* as a system that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Today, the definition of ~~*clearing agency* applies only to The Canadian Depository for Securities Limited (CDS). The definition takes into account the fact that securities regulatory authorities in Ontario and Québec currently recognize or otherwise regulate clearing agencies in Canada under provincial securities legislation.[6] The functional meaning of *clearing agency* can be found in the securities legislation of certain jurisdictions.[7]~~ *clearing agency* in the Instrument applies to CDS Clearing and Depository Services Inc. (**CDS**). For the purposes of the Instrument, a clearing agency includes, in Québec, a clearing house and settlement system within the meaning of the *Securities Act* (Québec). See subsection 1.2(2).

(2) *Custodian* — While investment assets are sometimes held directly by investors, most are held on behalf of the investor by or through securities accounts maintained with a financial institution or dealer. The definition of *custodian* includes both a financial institution (non-dealer custodian) and a dealer acting as custodian (dealer custodian).

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[6] See, for example, s. 1(1) of the *Securities Act* (Ontario).

~~[6] CDS is also regulated by the Bank of Canada pursuant to the *Payment Clearing and Settlement Act* (Canada).~~

~~[7] See, for example, s. 1(1) of the *Securities Act* (Ontario).~~

Most institutional investors, such as pension and mutual funds, hold their assets through custodians that are prudentially-regulated financial institutions. However, others (like hedge funds) often maintain their investment assets with dealers under so-called *prime-brokerage* arrangements. A financial institution or dealer in Canada need not necessarily have a direct contractual relationship with an institutional investor to be considered a custodian of portfolio assets of the institutional investor for the purposes of the Instrument if it is acting as sub-custodian to a global custodian or international central securities depository.

(3) *Institutional investor* — A client of a dealer that has been granted DAP/RAP trading privileges is an institutional investor. This will likely be the case whenever a client's investment assets are held by or through securities accounts maintained with a custodian instead of the client's dealer that executes its trades. While the expression "institutional trade" is not defined in the Instrument, we use the expression in this Companion Policy to mean broadly any DAP/RAP trade.

(4) *DAP/RAP trade* — The concepts *delivery against payment* and *receipt against payment* are generally understood by the industry. They are also defined terms in the Notes and Instructions (Schedule 4) to ~~the *Joint Regulatory Financial Questionnaire and Report* of the Canadian SROs~~IIROC Form 1, Part II. All DAP/RAP trades, whether settled by a non-dealer custodian or a dealer custodian, are subject to the requirements of Part 3 of the Instrument. The definition of DAP/RAP trade excludes a trade for which settlement is made on behalf of a client by a custodian that is also the dealer that executed the trade.

(5) *Trade-matching party* — An institutional investor, whether Canadian or foreign-based, may be a trade-matching party. As such, it, or its adviser that is acting for it in processing a trade, should enter into a trade-matching agreement or provide a trade-matching statement under Part 3 of the Instrument. However, an institutional investor that is an individual or a person or company with total securities under administration or management not exceeding $10 million, is not a trade-matching party. A custodian that settles a trade on behalf of an institutional investor is also a trade-matching party and should enter into a trade-matching agreement or provide a trade-matching statement. However, a foreign global custodian or international central securities depository that holds Canadian portfolio assets through a local Canadian sub-custodian would not normally be considered a trade-matching party if it is not a clearing agency participant or otherwise directly involved in settling the trade in Canada.

(6) *Application of Instrument* — Part 2 of the Instrument enumerates certain types of trades that are not subject to the Instrument.

PART 2 TRADE MATCHING REQUIREMENTS

2.1 Trade data elements — Trade data elements that must be verified and agreed to are those identified by the SROs or the best practices and standards for institutional trade processing established and generally adopted by the industry. See section 2.4 of this

Companion Policy. To illustrate, trade data elements that should be transmitted, compared and agreed to may include the following:

(a) *Security identification*: standard numeric identifier, currency, issuer, type/class/series, market ID; and

(b) *Order and trade information*: dealer ID, account ID, account type, buy/sell indicator, order status, order type, unit price/face amount, number of securities/quantity, message date/time, trade transaction type, commission, accrued interest (fixed income), broker settlement location, block reference, net amount, settlement type, allocation sender reference, custodian, payment indicator, IM portfolio/account ID, quantity allocated, and settlement conditions.

2.2 Trade matching deadlines for registered firms — The obligation of a registered dealer or registered adviser to establish, maintain and enforce policies and procedures, pursuant to sections 3.1 and 3.3 of the Instrument, will require the dealer or adviser to take reasonable steps to achieve matching as soon as practical after the DAP/RAP trade is executed and in any event no later than 12 p.m. (noon) Eastern Time on T+1. ~~If the trade results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region, the deadline for matching is 12 p.m. (noon) on T+2 (subsections 3.1(2) and 3.3(2)). As defined, the North American region comprises Canada, the United States, Mexico, Bermuda and the countries of Central America and the Caribbean.~~The policies and procedures requirement of Part 3 of the Instrument is consistent with the overarching obligation of a registered firm to manage the risks associated with its business in accordance with prudent business practices.[7]

2.3 Choice of trade-matching agreement or trade-matching statement —

(1) *Establishing, maintaining and enforcing policies and procedures* —

(a) Under sections 3.2 and 3.4, a registered dealer's or registered adviser's policies and procedures must be designed to encourage trade-matching parties to (i) enter into a trade-matching agreement with the dealer or adviser or (ii) provide or make available a trade-matching statement to the dealer or adviser. The purpose of the trade-matching agreement or trade-matching statement is to ensure that all trade-matching parties have established, maintain, and enforce appropriate policies and procedures designed to achieve matching of a DAP/RAP trade as soon as practical after the trade is executed. If the dealer or adviser is unable to obtain a trade-matching agreement or statement from a trade-matching party, it should document its efforts in accordance with its policies and procedures.

[7] See s. 11.1 of NI 31-103, which requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with their business in accordance with prudent business practices.

(b) The parties described in paragraphs (a), (b), (c), and (d) of the definition "trade-matching party" in section 1.1 of the Instrument need not necessarily all be involved in a trade for the requirements of sections 3.2 and 3.4 of the Instrument to apply. There is no need for an adviser to be involved in the matching process of an institutional investor's trades for the requirement to apply. In this case, the trade-matching parties that should have appropriate policies and procedures in place would be the institutional investor, the dealer and the custodian.

(c) The Instrument does not provide the form of a trade-matching agreement or trade-matching statement other than it be in writing. Subsections (2) and (3) below provide some guidance on these documents. A trade-matching agreement or trade-matching statement should be signed by a senior executive officer of the entity to ensure its policies and procedures are given sufficient attention and priority within the entity's senior management. A senior executive officer would include any individual who is (a) the chair of the entity, if that individual performs the functions of the office on a full time basis, (b) a vice-chair of the entity, if that individual performs the functions of the office on a full time basis, (c) the president, chief executive officer or chief operating officer of the entity, and (d) a senior vice-president of the entity in charge of the entity's operations and back-office functions.

(2) *Trade-matching agreement* —

(a) A registered dealer or registered adviser need only enter into one trade-matching agreement with the other trade-matching parties for new or existing DAP/RAP trading accounts of an institutional investor for all future trades in relation to such account. The trade-matching agreement may be a single multi-party agreement among the trade-matching parties, or a network of bilateral agreements. A single trade-matching agreement is also sufficient for the general and all sub-accounts of the registered adviser or buy-side manager. If the dealer or adviser uses a trade-matching agreement, the form of such agreement may be incorporated into the institutional account opening documentation and may be modified from time to time with the consent of the parties.

(b) The agreement must specify the roles and responsibilities of each of the trade-matching parties and should describe the minimum standards and best practices to be incorporated into the policies and procedures that each party has in place. This should include the timelines for accomplishing the various steps and tasks of each trade-matching party for timely matching. For example, the agreement may include, as applicable, provisions dealing with:

For the dealer executing and/or clearing the trade:

- how and when the notice of trade execution (NOE) is to be given to the institutional investor or its adviser, including the format and content of the NOE (e.g., electronic);

- how and when trade details are to be entered into the dealer's internal systems and the clearing agency's systems;

- how and when the dealer is to correct or adjust trade details entered into its internal systems or the clearing agency's systems as may be required to agree to trade details with the institutional investor or its adviser;

- general duties of the dealer to cooperate with other trade-matching parties in the investigation, adjustment, expedition and communication of trade details to ensure trades can be matched within prescribed timelines.

For the institutional investor or its adviser:

- how and when to review the NOE's trade details, including identifying any differences from its own records;

- how and when to notify the dealer of trade differences, if any, and resolve such differences;

- how and when to determine and communicate settlement details and account allocations to the dealer and/or custodian(s);

- general duties of the institutional investor or its adviser to cooperate with other trade-matching parties in the investigation, adjustment, expedition and communication of trade details to ensure trades can be matched within prescribed timelines.

For the custodian settling the trade at the clearing agency:

- how and when to receive trade details and settlement instructions from institutional investors or their advisers;

- how and when to review and monitor trade details submitted to the clearing agency on an ongoing basis for items entered and awaiting affirmation or challenge;

- how and when to report to institutional investors or their advisers on an ongoing basis changes to the status of a trade and the matching of a trade;

- general duties of the custodian to cooperate with other trade-matching parties in the investigation, adjustment, expedition and communication of trade details to ensure trades can be matched within prescribed timelines.

(3) *Trade-matching statement* — A single trade-matching statement is sufficient for the general and all sub-accounts of the registered adviser or buy-side manager. A registered dealer or registered adviser may accept a trade-matching statement signed by a senior executive officer of a trade-matching party without further investigation and may continue to rely upon the statement for all future trades in an account, unless the dealer or adviser has knowledge that any statements or facts set out in the statement are incorrect. Mass mailings or emails of a trade-matching statement, or the posting of a single uniform trade-matching statement on a Website, would be acceptable ways of providing the statement to other trade-matching parties. A registered firm may rely on a trade-matching party's representations that the trade-matching statement was provided to the other trade-matching parties without further investigation.

(4) *Monitoring and enforcement of undertakings in trade-matching documentation* — Registered dealers and advisers should use reasonable efforts to monitor compliance with the terms or undertakings set out in the trade-matching agreements or trade-matching statements in accordance with their policies and procedures.

Registered dealers and advisers should also take active steps to address problems if the policies and procedures of other trade-matching parties appear to be inadequate and are causing delays in the matching process. Such steps might include imposing monetary incentives (e.g. penalty fees) or requesting a third party review or assessment of the party's policies and procedures. This approach could enhance cooperation among the trade-matching parties leading to the identification of the root causes of failures to match trades on time.

2.4 Determination of appropriate policies and procedures —

(1) *Best practices* — We are of the view that, when establishing appropriate policies and procedures, a party should consider the industry's generally adopted best practices and standards for institutional trade processing. It should also include those policies and procedures into its regulatory compliance and risk management programs.

(2) *Different policies and procedures* — We recognize that appropriate policies and procedures may not be the same for all registered dealers, registered advisers and other market participants because of the varying nature, scale and complexity of a market participant's business and risks in the trading process. For example, policies and procedures designed to achieve matching may differ among a registered dealer that acts as an "introducing broker" and one that acts as a "carrying broker".[8] In addition, if a dealer is not a clearing agency participant, the dealer's policies and procedures to expeditiously achieve matching should be integrated with the clearing arrangements that it has with any other dealer acting as carrying or clearing broker for the dealer. Establishing appropriate policies and procedures may require registered dealers,

[8] See IIROC Member Rule 35 — *Introducing Broker / Carrying Broker Arrangements*.

registered advisers and other market participants to upgrade their systems and enhance their interoperability with others.[9]

2.5 Use of matching service utility — The Instrument does not require the trade-matching parties to use the facilities or services of a matching service utility to accomplish matching of trades within the prescribed timelines. However, if such facilities or services are made available in Canada, the use of such facilities or services may help a trade-matching party's compliance with the Instrument's requirements.

PART 3 INFORMATION REPORTING REQUIREMENTS

3.1 Exception reporting for registered firms —

(a) Part 4 of the Instrument requires a registered firm to complete and deliver to the securities regulatory authority Form 24-101F1 and related exhibits. Form 24-101F1 need only be delivered if less than ~~a percentage target~~90 percent of the DAP/RAP trades (by volume and value) executed by or for the registered firm in any given calendar quarter have matched within the time required by the Instrument. Tracking of a registered firm's trade matching statistics may be outsourced to a third party service provider, including a clearing agency or custodian. However, despite the outsourcing arrangement, the registered firm retains full legal and regulatory liability and accountability to the Canadian securities regulatory authorities for its exception reporting requirements. If a registered firm has insufficient information to determine whether it has achieved the percentage target of matched DAP/RAP trades in any given calendar quarter, it must explain in Form 24-101F1 the reasons for this and the steps it is taking to obtain this information in the future.

(b) Form 24-101F1 requires registered firms to provide aggregate quantitative information on their equity and debt DAP/RAP trades.

~~They~~DAP/RAP trades in exchange-traded funds are reportable in the equities category of DAP/RAP trades. Form 24-101F1 should only be submitted for DAP/RAP trades for the type of security (equity or debt) that did not meet the 90 percent threshold by the relevant timeline. If a registered firm does not meet the threshold for both equity and debt DAP/RAP trades, then it should submit the Form for both equity and debt DAP/RAP trades (i.e., by completing both tables in Exhibit A of Form 24-101F1). If the firm does not meet the threshold only for one type of security (i.e., for equity but not debt, or for debt but not equity), it should only submit the Form for the one type of security, by completing only one of the tables in Exhibit A of Form 24-101F1. A registered firm must also provide qualitative information on the circumstances or underlying causes that resulted in or contributed to the failure to achieve the percentage target for matched equity and/or debt DAP/RAP trades within the maximum time prescribed by Part 3 of

[9] See Discussion Paper 24-401, at p. 3984, for a discussion of *interoperability*.

the Instrument and the specific steps they are taking to resolve delays in the trade reporting and matching process in the future. Registered firms should provide information that is relevant to their circumstances. For example, dealers should provide information demonstrating problems with NOEs or reporting of trade details to the clearing agency. Reasons given for the failure could be one or more matters within the registered firm's control or due to another trade-matching party or service provider.

(c) The steps being taken by a registered firm to resolve delays in the matching process could be internally focused, such as implementing a new system or procedure, or externally focused, such as meeting with a trade-matching party to determine what action should be taken by that party. Dealers should confirm what steps they have taken to inform and encourage their clients to comply with the requirements or undertakings of the trade-matching agreement and/or trade-matching statement. They should confirm what problems, if any, they have encountered with their clients, other trade-matching parties or service providers. They should identify the trade-matching party or service provider that appears to be consistently not meeting matching deadlines or to have no reasonable policies and procedures in place. Advisers should provide similar information, including information demonstrating problems with communicating allocations or with service providers or custodians.

3.2 Regulatory reviews of registered firm exception reports —

(a) We will review the completed Forms 24-101F1 on an ongoing basis to monitor and assess compliance by registered firms with the Instrument's matching requirements. We will identify problem areas in matching, including identifying trade-matching parties that have no or weak policies and procedures in place to ensure matching of trades is accomplished within the time prescribed by Part 3 of the Instrument. Monitoring and assessment of registered firm matching activities may be undertaken by the SROs in addition to, or in lieu of, reviews undertaken by us.

(b) ~~Consistent~~The Canadian securities regulatory authorities may consider the consistent inability to meet the matching percentage target ~~will be considered~~ as evidence ~~by the Canadian securities regulatory authorities~~ that either the policies and procedures of one or more of the trade matching parties have not been properly designed or, if properly designed, have been inadequately complied with. Consistently poor qualitative reporting ~~will~~may also be considered as evidence of poorly designed or implemented policies and procedures. See also section 2.3(4) of this Companion Policy for a further discussion of our approach to compliance and enforcement of the trade-matching requirements of the Instrument.

3.3 Other information reporting requirements — Clearing agencies and matching service utilities are required to include in Forms 24-101F2 and 24-101F5 certain trade-matching information in respect of their participants ~~or~~, users~~/~~ or subscribers. The purpose of this

information is to facilitate monitoring and enforcement by the Canadian securities regulatory authorities or SROs of the Instrument's matching requirements.

3.4 Forms delivered in electronic form — Registered firms ~~may~~are encouraged to complete their Form 24-101F1 on-line on the CSA's website at the following URL addresses:

In English: http://www.securitiesadministrators.ca/industry_resources.aspx?id=52

In French:
http://www.autoritesvaleursmobilieres.ca/ressources_professionnelles.aspx?id=52

3.5 Confidentiality of information — The forms delivered to the securities regulatory authority by a registered firm, clearing agency and matching service utility under the Instrument will be treated as confidential by us, subject to the applicable provisions of the freedom of information and protection of privacy legislation adopted by each province and territory. We are of the view that the forms contain intimate financial, commercial and technical information and that the interests of the providers of the information in non-disclosure outweigh the desirability of making such information publicly available. However, we may share the information with SROs and may publicly release aggregate industry-wide matching statistics on equity and debt DAP/RAP trading in the Canadian markets.

PART 4 REQUIREMENTS FOR MATCHING SERVICE UTILITIES

4.1 Matching service utility —

(1) Part 6 of the Instrument sets out reporting, systems capacity, and other requirements of a matching service utility. ~~The~~For the purposes of the Instrument, the term *matching service utility* expressly excludes a clearing agency. A matching service utility would be any entity that provides the services of a post-execution centralized matching facility for trade-matching parties. It may use technology to match in real-time trade data elements throughout a trade's processing lifecycle. A matching service utility would not include a registered dealer who offers "local" matching services to its institutional investor-clients. In Québec, a person or company that seeks to provide centralized facilities for matching must, in addition to the requirements of the Instrument, apply for recognition as a matching service utility or for an exemption from the requirement to be recognized as a matching service utility pursuant to the *Securities Act* (Québec) or *Derivatives Act* (Québec). In certain other jurisdictions, in addition to the requirements of the Instrument, such person or company may be required to apply either for recognition as a clearing agency or for an exemption from the requirement to be recognized as a clearing agency.[10]

(2) A matching service utility would be viewed by us as an important infrastructure system involved in the clearing and settlement of securities transactions. We believe that, while a

[10] See, for example, the scope of the definition of "clearing agency" in s. 1(1) of the *Securities Act* (Ontario), which includes providing centralized facilities "for comparing data respecting the terms of settlement of a trade or transaction".

matching service utility operating in Canada would largely enhance operational efficiency in the capital markets, it would raise certain regulatory concerns. Comparing and matching trade data are complex processes that are inextricably linked to the clearance and settlement process. A matching service utility concentrates processing risk in the entity that performs matching instead of dispersing that risk more to the dealers and their institutional investor-clients. Accordingly, we believe that the breakdown of a matching service utility's ability to accurately verify and match trade information from multiple market participants involving large numbers of securities transactions and sums of money could have adverse consequences for the efficiency of the Canadian securities clearing and settlement system. The requirements of the Instrument applicable to a matching service utility are intended to address these risks.

4.2 Initial information reporting requirements for a matching service utility — ~~Sections~~Subsection 6.1(1) ~~and 10.2(4)~~ of the Instrument ~~require~~requires any person or company that carries on or intends to carry on business as a matching service utility to deliver Form 24-101F3 to the securities regulatory authority. We will review Form 24-101F3 to determine whether the person or company that delivered the form is an appropriate person or company to act as a matching service utility for the Canadian capital markets. We will consider a number of factors when reviewing the form, including:

(a) the performance capability, standards and procedures for the transmission, processing and distribution of details of trades executed on behalf of institutional investors;

(b) whether market participants generally may obtain access to the facilities and services of the matching service utility on fair and reasonable terms;

(c) personnel qualifications;

(d) whether the matching service utility has sufficient financial resources for the proper performance of its functions;

(e) the existence of, and interoperability arrangements with, another entity performing a similar function for the same type of security; and

(f) the systems report referred to in section 6.5(b) of the Instrument.

4.3 Change to significant information — Under section 6.2 of the Instrument, a matching service utility is required to deliver to the securities regulatory authority an amendment to the information provided in Form 24-101F3 at least 45 days before implementing a significant change involving a matter set out in Form 24-101F3. In our view, a significant change includes a change to the information contained in the General Information items 1-10 and Exhibits A, B, E, G, I, J, O, P and Q of Form 24-101F3.

4.4 Ongoing information reporting and other requirements applicable to a matching service utility —

(1) Ongoing quarterly information reporting requirements will allow us to monitor a matching service utility's operational performance and management of risk, the progress of interoperability in the market, and any negative impact on access to the markets. A matching service utility will also provide trade matching data and other information to us so that we can monitor industry compliance.

(2) Completed forms delivered by a matching service utility will provide useful information on whether it is:

(a) developing fair and reasonable linkages between its systems and the systems of any other matching service utility in Canada that, at a minimum, allow parties to executed trades that are processed through the systems of both matching service utilities to communicate through appropriate, effective interfaces;

(b) negotiating with other matching service utilities in Canada fair and reasonable charges and terms of payment for the use of interface services with respect to the sharing of trade and account information; and

(c) not unreasonably charging more for use of its facilities and services when one or more counterparties to trades are customers of other matching service utilities than the matching service utility would normally charge its customers for use of its facilities and services.

4.5 Capacity, integrity and security system requirements —

(1) The activities in section 6.5(a) of the Instrument must be carried out at least once a year. We would expect these activities to be carried out even more frequently if there is a significant change in trading volumes that necessitates that these functions be carried out more frequently in order to ensure that the matching service utility can appropriately service its clients.

(2) The independent review contemplated by section 6.5(b) of the Instrument should be performed by competent and independent audit personnel, in accordance with generally accepted auditing standards. Depending on the circumstances, we would consider accepting a review performed and written report delivered pursuant to similar requirements of a foreign regulator to satisfy the requirements of this section. A matching service utility that wants to advocate for that result must submit a request for discretionary relief.

(3) The notification of a material systems failure under section 6.5(c) of the Instrument should be provided promptly from the time the incident was identified as being material and should include the date, cause and duration of the interruption and its general impact on users or subscribers. We consider promptly to mean within one hour from the time the

incident was identified as being material. Material systems failures include serious incidents that result in the interruption of the matching of trades for more than thirty minutes during normal business hours.

PART 5 TRADE SETTLEMENT

5.1 Trade settlement by dealer — Section 7.1 of the Instrument is intended to support and strengthen the general settlement cycle rules of the SROs and marketplaces. Current SRO and marketplace rules mandate a standard T+~~3~~2 settlement cycle period for most transactions in equity and long term debt securities.[~~10~~11] If a dealer is not a participant of a clearing agency, the dealer's policies and procedures to facilitate the settlement of a trade should be combined with the clearing arrangements that it has with any other dealer acting as carrying or clearing broker for the dealer.

PART 6 REQUIREMENTS OF SELF-REGULATORY ORGANIZATIONS AND OTHERS

6.1 Standardized documentation — Without limiting the generality of section 8.2 of the Instrument, an SRO may require its members to use, or recommend that they use, a standardized form of trade-matching agreement or trade-matching statement prepared or approved by the SRO, and may negotiate on behalf of its members with other trade-matching parties and industry associations to agree on the standardized form of trade-matching agreement or trade-matching statement to be used by all relevant sectors in the industry (dealers, buy-side managers and custodians).

[~~10~~ 11] See, for example, IIROC Member Rule 800.27 and TSX Rule 5-103(1).