

ANNEX F
Amendments to
Companion Policy 24-101CP *Institutional Trade Matching and Settlement*

1. **Companion Policy 24-101CP is amended by this Instrument.**

2. **Section 1.2 is amended by:**

a. **replacing** “Investment Dealers Association of Canada (IDA) Regulation” **in footnote 3 with** “Investment Industry Regulatory Organization of Canada (IIROC) Member Rule”,

b. **replacing the text in footnote 4 with the following:**

We remind registered advisers of their obligations to ensure fairness in allocating investment opportunities among its 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 and Exemptions* (NI 31-103) and section 14.10 the Companion Policy to NI 31-103.

c. **replacing** “IDA Regulation” **in footnote 5 with** “IIROC Member Rule”,

3. **Section 1.3 is amended by:**

a. **replacing subsection (3) with the following:**

(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.

b. **replacing subsection (5) with the following:**

(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.

4. **Section 2.2 is replaced with the following:**

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) 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.

5. Section 2.3 is amended by:

a. replacing subsection (1) with the following:

(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 either (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.
- (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.

b. adding in paragraph (2)(b) "the" after "account allocations to" in the third bullet under the heading "For the institutional investor or its adviser:";

c. adding in subsection (4) "in accordance with their policies and procedures" at the end of the first sentence,

d. deleting the second and third sentences in subsection (4),

e. replacing in subsection (4) "Dealers" with "Registered dealers" at the beginning of the fourth sentence.

6. Section 2.4 is amended by:

a. deleting footnote 8,

b. renumbering footnote 9 as footnote 8 and replacing "IDA By-Law No." in that footnote with "IIROC Member Rule",

c. renumbering footnote 10 as footnote 9.

7. Section 3.4 is replaced with the following:

3.4 Forms delivered in electronic form

Registered firms may complete their Form 24-101F1 online on the CSA's website at the following URL addresses:

In English: http://www.securities-administrators.ca/industry_resources.aspx?id=52

In French: http://www.autorites-valeurs-mobilieres.ca/ressources_professionnelles.aspx?id=52.

8. Subsection 4.4(1) is amended by deleting "(e.g., number of trades matched on T)".

9. Part 5 is amended by renumbering footnote 11 as footnote 10 and replacing "IDA Regulation" in that footnote with "IIROC Member Rule".

10. *Part 7 is deleted.*
11. *This Instrument becomes effective on July 1, 2010.*