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## **Headnote**

Mutual Reliance Review System for Exemptive Relief Application – National Instrument 21-101, s. 15.1 - An alternative trading system wants relief from certain requirements of the ATS rules - For the exemption from the requirement in section 6.3 of NI 21-101, access to the ATS is restricted to dealers and institutional investors and dealers are responsible for the execution, clearance and settlement of trades. The exemption from the requirements of sections 8.1, 8.3 and 8.4 of NI 23-101 applies only to foreign exchange-traded securities and orders relating to those securities must be routed through marketplaces that are IOSCO compliant.

## **Applicable British Columbia Provisions**

National Instrument 21-101 *Marketplace Operation*, s. 6.3

National Instrument 23-101 *Trading Rules*, ss. 8.1, 8.3 and 8.4

**In the Matter of  
National Instrument 21-101 Marketplace Operation (NI 21-101)  
and National Instrument 23-101 Trading Rules (NI 23-101)**

and

**In the Matter of the Securities Legislation of Ontario, British Columbia,  
Alberta, Manitoba and Québec (the Jurisdictions)**

and

**In the Matter of the Mutual Reliance Review System for  
Exemptive Relief Applications**

and

**In the Matter of Bloomberg Tradebook Canada Company (the Filer)**

and

**In the Matter of Bloomberg Tradebook Canada Company  
MRRS Decision Document Dated September 6, 2002**

**MRRS Decision Document**

## **Background**

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision

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(the Decision) under the securities legislation of the Jurisdictions (the Legislation) to revoke a decision granted by the Decision Makers (other than the Province of Manitoba) on September 6, 2002 (the Original Decision) and issue a new decision to: (i) extend certain exemptive relief provided in the Original Decision in respect of non-Canadian debt securities offered through the Bloomberg BondTrader System to non-Canadian debt securities offered through Bloomberg ALLQ; (ii) add the Province of Manitoba as a Decision Maker; (iii) delete certain relief that has expired or is no longer required; and (iv) make certain other consequential amendments.

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

### **Interpretation**

Defined terms contained in NI 21-101 and National Instrument 14-101 *Definitions* have the same meaning in this Decision unless they are defined in this Decision.

“**Bloomberg ALLQ**” means the search engine that the Filer proposes to offer to Permitted Tradebook Users which may be used to search for quotations on and obtain access to trading in fixed-income securities that appear elsewhere on the BLOOMBERG PROFESSIONAL service, including, but not limited to, quotations posted on the Bloomberg BondTrader System.

“**Bloomberg BondTrader System**” means the electronic bulletin board system offered by the Filer to Permitted Tradebook Users on which Dealers display quotations in fixed-income securities.

“**Bloomberg Tradebook System**” means the electronic trading system in equity securities offered by the Filer to Permitted Tradebook Users.

“**Customers**” means Permitted Tradebook Users that are customers of the Dealers and are enabled by the Dealers to use the Bloomberg BondTrader System or Bloomberg ALLQ, as applicable.

“**Dealers**” means brokers and investments dealers that are Permitted Tradebook Users that may post quotations on and provide trading access to Customers through the Bloomberg BondTrader System and Bloomberg ALLQ.

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“**Permitted Tradebook Users**” means brokers, investment dealers and institutional investors located in the Provinces of Ontario, British Columbia, Quebec, Manitoba and Alberta who are subscribers to the BLOOMBERG PROFESSIONAL service and who represent under contractual arrangements with the Filer that they are an “Institutional Investor”, as defined in Schedule A to this Decision.

### **Representations**

This Decision is based on the following facts represented by the Filer:

1. The Filer is a Nova Scotia unlimited liability company incorporated on February 15, 2001 and is 100% owned by Bloomberg Canada LLC, a Delaware limited liability company, formed on February 1, 2001. Bloomberg Canada LLC is 100% owned by Bloomberg L.P., a Delaware U.S. limited partnership.
2. The Filer is currently registered as an investment dealer in British Columbia, Alberta, Manitoba, Ontario and Quebec and is a member of the Investment Dealers Association of Canada.
3. The Filer offers the Bloomberg Tradebook System to Permitted Tradebook Users in Canada. Although the majority of its activity in equity securities is limited to order-routing, the Bloomberg Tradebook System has an internal order-matching facility which constitutes it as an ATS under NI 21-101.
4. The Filer also offers the Bloomberg BondTrader System in Canada and proposes to offer Bloomberg ALLQ in Canada. The Bloomberg BondTrader System and Bloomberg ALLQ have an “inquiry” function that allows Customers to transmit a general and non-binding “Bid Wanted” or “Offer Wanted” notice to Dealers that have authorized the particular Customer. This part of the Bloomberg BondTrader System and Bloomberg ALLQ constitutes an ATS under NI 21-101.
5. The Bloomberg BondTrader System and Bloomberg ALLQ will be available to Dealers and Customers.
6. The following non-Canadian debt securities are currently offered through the Bloomberg BondTrader System and Bloomberg ALLQ:
  - (a) corporate debt securities, preferred securities and convertible securities;

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- (b) U.S. Government and agency securities, including securities issued by agencies of the U.S. Government but not backed by the full faith and credit of the U.S. Government;
  - (c) securities issued by state and local municipalities of the United States regardless of whether they are backed by the full faith and credit of the municipality;
  - (d) mortgage-backed and asset-backed securities and collateralized mortgage obligations;
  - (e) sovereign debt issued by governments and political subdivisions of countries other than the United States; and
  - (f) corporate and governmental commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements and other money market instruments.
7. The Bloomberg BondTrader System does not display quotations in Canadian fixed-income securities to Customers, because the Filer blocks Customers from accessing such quotations.
  8. Bloomberg ALLQ provides quotations on and trading access to Canadian fixed-income securities, as permitted under NI 21-101. The Filer does not have the technological capability of blocking Customers from accessing quotations in Canadian fixed-income securities on Bloomberg ALLQ, because the search engine searches individual pages maintained by the Dealers.
  9. Dealers are responsible for execution, clearance and settlement of trades through the Bloomberg BondTrader System and Bloomberg ALLQ using their customary procedures separate, apart and independent from the Filer and its affiliates. Dealers will be liable to their counterparties if they default on a trade.
  10. The Filer and its affiliates do not receive any commission or other transaction-based compensation in connection with operation of the Bloomberg BondTrader System or Bloomberg ALLQ or any transaction effected over the Bloomberg BondTrader System or Bloomberg ALLQ. The only fees currently paid by Dealers and Customers are the general license fees for access to the BLOOMBERG PROFESSIONAL service.
  11. Section 6.3 of NI 21-101 provides that an ATS can only execute trades in the debt securities included in the definitions of "corporate debt security" and

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“government debt security” found in section 1.1 of NI 21-101. The definition of “corporate debt security” only includes debt securities issued in Canada by companies or corporations that are not listed on a recognized exchange or quoted on a recognized quotation and trade reporting system. Similarly, while the definition of “government debt security” includes a debt security issued by the government of any foreign country or any political division thereof, it does not include debt securities of other foreign government-like entities.

12. Section 8.1 and 8.2 of NI 21-101 impose pre-trade and post-trade transparency requirements for unlisted debt securities. These provisions require that the relevant information be provided to an information processor, as defined in NI 21-101. The Filer understands that it will not be expected to comply with any transparency requirements in respect of foreign corporate and non-corporate debt securities traded through the Bloomberg BondTrader System and Bloomberg ALLQ pursuant to the exemptive relief provided in this Decision.
13. Section 8.1 of NI 23-101 prohibits an ATS from executing a subscriber’s order unless the ATS has executed and is subject to the written agreements in sections 8.3 and 8.4 of NI 23-101.
14. The Filer has requested an exemption from section 8.3 of NI 23-101 which requires an ATS to enter into an agreement with a regulation services provider. The Filer has entered into an agreement with Market Regulation Services Inc. with respect to exchange-traded securities that are routed to recognized exchanges or exchanges that are recognized for the purposes of NI 21-101 and NI 23-101.
15. The exemption from the requirement to contract with a regulation services provider for foreign exchange-traded securities means that the Filer’s subscribers will not be complying with the requirements of a recognized exchange, recognized quotation and trade reporting system or a regulation services provider with respect to trades in those securities. Consequently, the exemption provided in section 2.1 of NI 23-101 is not applicable and Parts 3, 4 and 5 of NI 23-101 apply.

### **Decision**

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The Decision of the Decision Makers under the Legislation is that the Filer is:

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- (a) exempt from section 6.3 of NI 21-101 in respect of trading non-Canadian debt securities through the Bloomberg BondTrader System and Bloomberg ALLQ, provided that:
  - (i) the Bloomberg BondTrader System and Bloomberg ALLQ are only made available to Permitted Tradebook Users;
- (b) exempt from sections 8.1 and 8.3 of NI 23-101 with respect to foreign exchange-traded securities, provided that the Filer routes the subscriber orders via the Bloomberg Tradebook System to marketplaces subject to regulatory oversight by either an IOSCO member or a self-regulatory organisation that is regulated by an IOSCO member; and
- (c) exempt from section 8.4 of NI 23-101 with respect to foreign exchange-traded securities, provided that the Filer enters into an agreement with its subscribers and includes as part of that agreement an acknowledgment by subscribers that orders routed via the Bloomberg Tradebook System to foreign marketplaces will not be regulated by a regulation services provider but by the regulatory body in the jurisdiction to which the order is routed.

DATED this 28<sup>th</sup> day of April, 2005

Randee B. Pavalow  
Director, Capital Markets

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## Schedule A

In this Decision Document, “Institutional Investor” means:

- (a) a bank listed in Schedule I or II of the Bank Act (Canada), or an authorized foreign bank listed in Schedule III of that Act;
- (b) the Business Development Bank incorporated under the Business Development Bank Act (Canada);
- (c) a loan corporation, trust corporation, savings company or loan and investment society registered under the Loan and Trust Corporations Act (Ontario) or under the Trust and Loan Companies Act (Canada), or under comparable legislation in any other province of Canada;
- (d) a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the Cooperative Credit Associations Act (Canada), in each case, located in Canada;
- (e) a company licensed to do business as an insurance company in a province of Canada;
- (f) a subsidiary of any company referred to in paragraph (a), (b), (c), (d) or (e), where the company owns all of the voting shares of the subsidiary;
- (g) a federation within the meaning of the Act respecting Financial Services Cooperatives (Québec);
- (h) the Caisse centrale Desjardins du Québec established under the Act respecting the Movement des Caisses Desjardins (Québec);
- (i) a person or company registered under the securities legislation of the applicable province of Canada as an adviser or dealer, other than a limited market dealer;
- (j) the government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;
- (k) any Canadian municipality or any Canadian provincial or territorial capital city;

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- (l) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;
- (m) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;
- (n) a registered charity under the Income Tax Act (Canada);
- (o) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least Cdn.\$5,000,000 as reflected in its most recently prepared financial statements;
- (p) a person or company, other than an individual, that is recognized by the British Columbia, Alberta, Manitoba or Ontario Securities Commission as an “exempt purchaser” or “accredited investor” or by the *Autorité des Marchés Financiers du Québec* as a “sophisticated purchaser” or, upon the coming into force of Regulation 45-106, as an “accredited investor”;
- (q) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities only to persons or companies that are accredited investors;
- (r) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities under a prospectus for which a receipt has been granted;
- (s) an account that is fully managed by a registered portfolio manager or an entity listed in paragraphs (a), (c), (d) or (e);
- (t) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (a) through (f) and paragraph (m) in form and function; and
- (u) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are Institutional Investors; provided that:
  - (i) two or more persons who are the joint registered holders of one or more securities of the issuer shall be counted as one beneficial owner of those securities; and



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- (ii) a corporation, partnership, trust or other entity shall be counted as one beneficial owner of securities of the issuer unless the entity has been created or is being used primarily for the purpose of acquiring or holding securities of the issuer, in which event each beneficial owner of an equity interest in the entity or each beneficiary of the entity, as the case may be, shall be counted as a separate beneficial owner of those securities of the issuer.