

CSA Notice

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

December 14, 2023

Introduction

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

Provided all necessary Ministerial approvals are obtained, the Amendments will come into force on May 27, 2024 in all CSA jurisdictions.

The text of the Amendments is published with this Notice and is also available on the websites of the following CSA jurisdictions:

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

Background

NI 24-101 came into force in 2007 and was intended to encourage more efficient and timely pre-settlement confirmation, affirmation, trade allocation and settlement instructions processes for institutional trades in Canada, through a process known as institutional trade matching (**ITM**).

The CSA published proposed amendments to NI 24-101 (**Proposed Amendments**) for a 90-day comment period on December 15, 2022 in preparation for the migration to a shorter settlement cycle in 2024 at the same time as the industry in the United States.

Substance and Purpose

We are making the Amendments for two reasons. First, the Amendments reflect the upcoming shortening of the standard settlement cycle for equity and long-term debt market trades in Canada from two days after the date of a trade (**T+2**) to one day after the date of a trade (**T+1**). The move to a T+1 settlement cycle in Canada will occur on May 27, 2024, the same day the Amendments come into force. This timing was chosen to align with the move to T+1 and associated regulatory rule changes in the United States. Because of a statutory holiday in the United States, the Canadian changeover and rule changes will occur one day earlier than those made by U.S. markets and regulators.

The rule changes to support the change to T+1 are as follows:

- Changing references to T+2 to T+1;
- Changing the ITM deadline; and
- Changing the times for some of the data reporting requirements in two forms applicable to clearing agencies and matching service utilities, respectively.

The second purpose of the Amendments is to permanently repeal the exception reporting requirements in Part 4 of the Instrument, including the requirement to file Form 24-101F1 *Registered Firm Exception Reporting of DAP/RAP Trade Reporting and Matching* (**Form 24-101F1**). Form 24-101F1 has been subject to a reporting requirement since 2020.

In addition to these changes, we have added a reference to cyber resilience in connection with the assessments matching service utilities must undertake for core systems. We have also corrected a few minor typographical errors.

Comments Received

In response to the Proposed Amendments, we received submissions from 4 commenters. We have considered the comments received and thank all of the commenters for their input. A list of those who submitted comments and a summary of the comments and our responses are attached to this Notice at Annexes C and D respectively. Copies of the comment letters are available at www.osc.gov.on.ca.

Summary of Changes Since Publication for Comment

After considering the written comments received, we have changed the ITM deadline in the Proposed Amendments (9 p.m. on T) to 3:59 a.m. on T+1. We have also made additional changes to the data reporting requirements applicable to clearing agencies and matching service utilities. One of these data reporting changes reflects a further comment submitted by one of the original commenters. The additional comment letter is also available at www.osc.gov.on.ca. In the interest of fairness, the other commenters were given the opportunity to respond to this letter, but none chose to do so.

Local Matters

Annex G is being published in any local jurisdiction that is making related changes to local securities laws. It also includes any additional information that is relevant to that jurisdiction only.

List of Annexes

The notice contains the following annexes:

- Annex A – Amendments to NI 24-101
- Annex B – Changes to CP
- Annex C – Commenters
- Annex D – Summary of comments and CSA responses
- Annex E – Amendments to NI 24-101, blacklined to show changes from Proposed Amendments
- Annex F – Changes to CP, blacklined to show changes from Proposed Amendments
- Annex G – Local matters

Questions

Please refer your questions to any of the following:

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ANNEX A

**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 by repealing the definition of “T+2”.*
3. *Subsection 3.1(1) is amended by replacing “12 p.m. (noon) Eastern Time on T+1” with “3:59 a.m. Eastern Time on T+1”.*
4. *Subsection 3.3(1) is amended by replacing “12 p.m. (noon) Eastern Time on T+1” with “3:59 a.m. Eastern Time on T+1”.*
5. *Section 4.1 is repealed.*
6. *In Ontario, section 4.1.1 is repealed.*
7. *Subparagraph 6.5(a)(iv) is amended by adding “adequacy of cyber resilience and the” before “vulnerability of those systems and data centre computer operations”.*
8. *Form 24-101F1 Registered Firm Exception Report of DAP/RAP Trade Reporting and Matching is repealed.*
9. *Form 24-101F2 Clearing Agency Quarterly Operations Report of Institutional Trade Reporting and Matching is amended by*
 - (a) *replacing “MMM” with “MM”, and*
 - (b) *replacing tables that appear after the heading “Table 1 – Equity trades:” and before the word “Legend” with the following:*

| | 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 – 12:00 p.m. | | | | | | | | |
| T – 4:00 p.m. | | | | | | | | |
| T – 7:30 p.m. | | | | | | | | |
| T + 1 – 3:59 a.m. | | | | | | | | |
| T + 1 – 12:00 p.m. | | | | | | | | |

| | | | | | | | | |
|--------------------|--|--|--|--|--|--|--|--|
| T + 1 – 4:00 p.m. | | | | | | | | |
| T + 1 – 11:59 p.m. | | | | | | | | |
| > T + 1 | | | | | | | | |
| 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 – 12:00 p.m. | | | | | | | | |
| T – 4:00 p.m. | | | | | | | | |
| T – 7:30 p.m. | | | | | | | | |
| T + 1 – 3:59 a.m. | | | | | | | | |
| T + 1 – 12:00 p.m. | | | | | | | | |
| T + 1 – 4:00 p.m. | | | | | | | | |
| T + 1 – 11:59 p.m. | | | | | | | | |
| > T + 1 | | | | | | | | |
| Total | | | | | | | | |

10. Form 24-101F3 Matching Service Utility Notice of Operations is amended by

- (a) replacing “MMM” with “MM” wherever it occurs, and
- (b) deleting the words “during normal business hours” after “the matching of trades for more than thirty minutes” under the heading “Exhibit N – Material systems failures” in Item 6.

11. Form 24-101F4 Matching Service Utility Notice of Cessation of Operations is amended by replacing “MMM” with “MM”.

12. Form 24-101F5 Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching is amended by

- (a) replacing “MMM” with “MM”, and
- (b) replacing the tables that appear after the heading “Table 1 – Equity trades:” and before the word “Legend” with the following:

| | 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 – 12:00 p.m. | | | | | | | | |
| T – 4:00 p.m. | | | | | | | | |
| T – 7:30 p.m. | | | | | | | | |
| T + 1 – 3:59 a.m. | | | | | | | | |
| T + 1 – 12:00 p.m. | | | | | | | | |
| T + 1 – 4:00 p.m. | | | | | | | | |
| T + 1 – 11:59 p.m. | | | | | | | | |
| > T + 1 | | | | | | | | |
| 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 – 12:00 p.m. | | | | | | | | |
| T – 4:00 p.m. | | | | | | | | |
| T – 7:30 p.m. | | | | | | | | |
| T + 1 3:59 a.m. | | | | | | | | |
| T + 1 – 12:00 p.m. | | | | | | | | |
| T + 1 – 4:00 p.m. | | | | | | | | |
| T + 1 – 11:59 p.m. | | | | | | | | |
| > T + 1 | | | | | | | | |
| Total | | | | | | | | |

Transition

Clearing agency’s operations report – former forms may apply for first quarter ending after in force date

13. (1) For the purposes of section 5.1 of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a clearing agency is not required to deliver Form 24-101F2 *Clearing Quarterly Operations Report of Institutional Trade Reporting and Matching* as amended by this Instrument if
- (a) it delivers Form 24-101F2 *Clearing Quarterly Operations Report of Institutional Trade Reporting and Matching* as it was in force on May 26, 2024, and

- (b) the delivery is in respect of the calendar quarter that ends June 30, 2024.
- (2) In Saskatchewan, subsection (1) does not apply if the Instrument comes into force in Saskatchewan on or after July 1, 2024.

Matching service utility's operations report – former forms may apply to first quarter ending after in force date

- 14. (1) For the purposes of subsection 6.4(1) of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a matching service utility is not required to deliver Form 24-101F5 *Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching* as amended by this Instrument if
 - (a) it delivers Form 24-101F5 *Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching* as it was in force on May 26, 2024, and
 - (b) the delivery is in respect of the calendar quarter that ends June 30, 2024.
- (2) In Saskatchewan, subsection (1) does not apply if the Instrument comes into force in Saskatchewan on or after July 1, 2024.

Effective date

- 15. (1) This Instrument comes into force on May 27, 2024.
- (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after May 27, 2024, this Instrument comes into force on the day of which it is filed with the Registrar of Regulations.

ANNEX B

CHANGES TO COMPANION POLICY 24-101CP TO NATIONAL INSTRUMENT 24-101 *INSTITUTIONAL TRADE MATCHING AND SETTLEMENT*

CHANGING DOCUMENT

1. *Companion Policy 24-101CP to National Instrument 24-101 Institutional Trade Matching and Settlement is changed by this Document.*
2. *Footnote 3 in subsection 1.2(2) is changed by replacing “Investment Industry Association of Canada (IIROC) Member Rule 800.49” with “Canadian Investment Regulatory Organization (CIRO) Rules, such as IDPC Rule 4753”.*
3. *Footnote 5 in paragraph 1.2(3)(c) is changed by replacing “IIROC Member Rule 200.1(h)” with “IDPC Rule 3816 Trade Confirmations”.*
4. *Section 1.3(4) is changed by replacing “IIROC” with “IDPC”.*
5. *Section 2.2 is changed by replacing “12 p.m. (noon)” with “3:59 a.m.”.*
6. *Paragraph 2.3(1)(c) is changed by replacing “provide” after the words “The Instrument does not” with “prescribe”.*
7. *Footnote 8 in subsection 2.4(2) is changed by replacing “Member Rule No. 35 - Introducing Broker/Carrying Broker Arrangements” with “IIROC DPC Rule 2400 Acceptable Back Office Arrangements”.*
8. *Sections 3.1 and 3.2 are deleted.*
9. *Section 3.3 “Other Information Reporting Requirements” is renumbered as section 3.1 and changed to “Information Reporting Requirements”.*
10. *Section 3.4 is deleted.*
11. *Section 3.5 is renumbered as section 3.2 and changed by deleting “registered firm,”.*
12. *Subsection 4.5(3) is changed by deleting “during normal business hours”.*
13. *Section 5.1 is changed by replacing “T+2” with “T+1” and, in footnote 11, replacing “IIROC Member Rule 800.27 and TSX Rule 5-103(1)” with “IDPC Rule 4800”.*
14. These changes become effective on May 27, 2024.

ANNEX C

COMMENTERS

The following entities submitted written comments on the proposed amendments to NI 24-101 *Institutional Trade Matching and Settlement* that were published for comment on December 15, 2022:

Canadian Capital Markets Association
Investment Funds Institute of Canada
Investment Industry Association of Canada
Portfolio Management Association of Canada

ANNEX D

SUMMARY OF COMMENTS AND CSA RESPONSES

| 1. Theme/question | 2. Summary of comments | 3. General responses |
|--|--|---|
| General | | |
| Support for T+1 amendments | Commenters expressed appreciation for the CSA’s work towards the transition to T+1, one emphasizing a shortened settlement cycle is critical for Canada’s capital markets (and all of its stakeholders, including investors, issuers, and registrants) and the broader economy. | We acknowledge and thank the commenters for their remarks. |
| National Instrument 24-101 Institutional Trade Matching | | |
| Effective date for Proposed Revisions | Two commenters suggested the Proposed Amendments should come into effect on the Canadian transition date, or the earlier of the U.S. and Canadian transition dates to T+1 despite the challenge this will pose in terms of resources. Based on current project schedules, the industry in Canada is planning for a T+1 settlement cycle transition date of May 27, 2024, while the U.S. transition date is May 28, 2024. | We agree with the suggestions. The Proposed Amendments will be brought into force to align with the T+1 transition in Canada. |
| Institutional trade matching deadline | <p>Three commenters raised concerns with the proposal to amend the institutional trade matching deadline from noon on T+1 to 9:00 p.m. Eastern Time on trade date.</p> <p>Two commenters raised concern with the proposal to achieve institutional trade matching by 9:00 p.m. Eastern Time on trade date. The CDS Clearing and Depository Services Inc. overnight net settlement processing cycle currently commences after 3:59 a.m. Eastern Time on T+1, meaning that trades can be matched up until this time and still achieve reduced collateral requirements. Where buy-side firms and custodians need to refine or adjust their practices and processes to meet a shortened settlement cycle, it would be prudent to provide the largest timeframe possible for these entities to affirm trades (i.e. up to 3:59 a.m. Eastern Time on T+1) and provide the opportunity for those entities in European, Asian and other time zones where markets may be open to make any corrections and issue securities loan recall notices. These two commenters recommended that the deadline in s.</p> | <p>We agree with the comments that it would be sensible to provide the longest possible timeframe to accommodate settlement processing cycles. Consequently, we are amending the ITM deadline in subsections 3.1(1) and 3.3(1) of NI 24-101 from 9 p.m. on T to 3:59 a.m. on T+1.</p> <p>A staged transition is not thought to be desirable as it would create further constraints for the industry. We believe it is optimal to have a fixed deadline which provides market participants with certainty to undertake any applicable systems and process redesign improvements.</p> |

| 1. Theme/question | 2. Summary of comments | 3. General responses |
|---|---|---|
| | <p>3.1(1) of NI 24-101 be 3:59 a.m. on T+1 rather than 9:00 p.m. on T per the Proposed Amendments.</p> <p>Another commenter suggested that the CSA consider implementing a staged transition for the ITM deadline that initially would be set at midnight on T, with the intention of moving to a 9 p.m. ITM deadline at a later, as yet undetermined date in the absence of any significant issues on the part of industry participants.</p> | |
| Regulatory approval process | Two commenters explained there will be downstream impact of the approved T+1 Proposals. The commenters requested that the regulatory approval process across the CSA jurisdictions be advanced as expeditiously as possible in order to publish the approved T+1 amendments as soon as possible. This will provide market participants, their vendors, and clients with regulatory certainty sooner rather than later, facilitating a greater likelihood of success for the T+1 initiative. | We acknowledge the importance for the CSA to move swiftly with the amendments in order to provide clarity to market participants. |
| Repeal of T+2 | Two commenters agreed with the proposal to repeal T+2 in the definitions section of NI 24-101. With the U.S. migration to T+1 and the Canadian industry committed to moving in sync with the U.S., references to a T+2 settlement cycle will no longer be relevant. | We agree with these comments. References to a T+2 settlement cycle will no longer be relevant. |
| Repeal of the Exception Reporting Requirement | Three commenters agreed with the repeal of the exception reporting requirement in NI 24-101. | We agree with the comments. The repeal of the Exception Reporting Requirement eliminates unnecessary regulatory burden. |
| Amendments to Form 24-101F2 and Form 24-101F5 | <p>One commenter agreed that Form 24-101F2 and Form 24-101F5 should be amended to reflect the shortening of the settlement cycle as the collection of data reflecting a T+2 settlement cycle will no longer be useful.</p> <p>The commenter recommended that the institutional trade matching (ITM) data reporting requirements by time for Form 24-101F2 and Form 24-101F5 be amended to align with industry best practice deadlines and reflective of an institutional trade matching deadline of 3:59 a.m. on T+1.</p> | <p>We agree with the recommended changes to both tables relating to the time of entry and matching in Forms 24-101F2 and 24-101F5. We will be amending them accordingly to facilitate monitoring of the matching requirements.</p> <p>We have considered the comment with respect to the delivery of Forms 24-101F2 and 24-101F5 for the first quarter ending after the effective date of the amendments and included specific transitional provisions in the instrument amending the NI to address this issue.</p> |

| 1. Theme/question | 2. Summary of comments | 3. General responses |
|---|--|--|
| | <p>The commenter also recommended that with respect to the first calendar quarter ending after the effective date of the T+1 Proposals, the version of Form 24-101F2 and Form 24-101F5 that were in force on the day before the effective date be used.</p> | |
| <p>Alternatives to T+1</p> | <p>One commenter concurred that there are no reasonable alternatives to the proposed changes. Failing to align with the U.S. by not shortening the settlement cycle would result in undesirable systemic risk and could lead to confusion in the markets with respect to settlement that could put investors at risk.</p> | <p>We agree with the comment.</p> |
| <p>National Instrument 81-102 Investment Funds</p> | | |
| <p>CSA Staff Notice 81-335 <i>Investment Fund Settlement Cycles</i></p> | <p>One commenter responded to the publication of CSA Staff Notice 81-335 <i>Investment Fund Settlement Cycles (CSN 81-335)</i>, which was published concurrently with the proposed amendments. CSN 81-335 acknowledges that the proposed amendments [to NI 24-101] will shorten the standard settlement cycle for equity and long-term debt market trades in Canada but provides that the CSA is not proposing amendments to National Instrument 81-102 <i>Investment Funds (NI 81-102)</i> to mandate a T+1 settlement cycle for primary distributions and redemptions of mutual fund securities. Nevertheless, CSN 81-335 also provides that, where practical, mutual funds should voluntarily move to a T+1 settlement cycle.</p> <p>While the commenter supports the CSA's decision not to mandate a T+1 settlement cycle for mutual fund securities, the commenter identified a technical problem with the voluntary approach that anticipates some funds choosing to move to T+1. As currently drafted, paragraph 9.4(4)(a) of NI 81-102 requires a mutual fund to wait until after T+3 to redeem out securities of the fund for non-payment by the investor. The commenter suggests a technical change so that forced redemption in all cases will occur the day after the settlement date, which the commenter assumes is the policy intent behind the requirement in paragraph 9.4(4)(a) of NI 81-102 in any event. The change will ensure a smooth functioning</p> | <p>We have published for comment the amendment suggested by the commenter.</p> |

| 1. Theme/question | 2. Summary of comments | 3. General responses |
|--------------------------|---|-----------------------------|
| | <p>of the forced redemption mechanism for a mutual fund that voluntarily moves to a T+1 settlement cycle.</p> <p>In addition, one commenter stated they require additional time to review the Staff Notice and NI 81-102. While no initial potential adverse impacts on the industry or investors were identified, the commenter stated they would provide comments at a later date should they arise during work on the T+1 project.</p> | |

ANNEX E
BLACKLINE TO
NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT

Contents

Part 1 Definitions and Interpretation

Definitions
Interpretation — trade matching and clearing agency

Part 2 Application

Part 3 Trade Matching Requirements

Matching deadlines for registered dealer
Pre-DAP/RAP trade execution documentation requirement for dealers
Matching deadlines for registered adviser
Pre-DAP/RAP trade execution documentation requirement for advisers

Part 4 Reporting by Registered Firms

Exception reporting requirement - Repealed

Part 5 Reporting Requirements for Clearing Agencies

Part 6 Requirements of Self-Regulatory Organizations and Others

Initial information reporting
Anticipated change to operations
Ceasing to carry on business as a matching service utility
Ongoing information reporting and record keeping
System requirements

Part 7 Trade Settlement

Trade settlement by registered dealer

Part 8 Requirements of Self-Regulatory Organizations and Others

Part 9 Exemption

Exemption

Part 10 Effective Dates and Transition

Effective Dates and Transition
Transition

Part 1
Definitions and Interpretation

Definitions

1.1 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*;

"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 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;

"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~~ [Repealed].

"T+3" [Repealed September 5, 2017]

Interpretation — trade matching and clearing agency

1.2 (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) 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).

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

Matching deadlines for registered dealer

3.1 (1) A registered dealer 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 3:59 a.m. 4:2 p.m. (noon) Eastern Time on T+1.

(2) [Repealed]

Pre-DAP/RAP trade execution documentation requirement for dealers

3.2 A registered dealer 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.

Matching deadlines for registered adviser

3.3 (1) A registered adviser 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 3:59 a.m. 4:2 p.m. (noon) Eastern Time on T+1.

(2) [Repealed]

Pre-DAP/RAP trade execution documentation requirement for advisers

3.4 A registered adviser 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

Exception reporting requirement

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

~~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~~

~~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. [Repealed]~~

Moratorium

4.1.1 Moratorium: In Ontario, despite subsection 2(1) of Ontario Securities Commission Rule 11-501 *Electronic Delivery Of Documents To The Ontario Securities Commission*, section 4.1 does not apply to a registered firm beginning on July 1, 2020 and ending on July 1, 2023. [Lapsed in Ontario]

Part 5

Reporting Requirements for Clearing Agencies

5.1 A clearing agency 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

Initial information reporting

6.1 (1) A person or company 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 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.

Anticipated change to operations

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

Ceasing to carry on business as a matching service utility

6.3 (1) If a matching service utility intends to cease carrying on business as a matching service utility, it 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 must deliver a report on Form 24-101F4 as soon as practical after it ceases to carry on that business.

Ongoing information reporting and record keeping

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

System requirements

6.5 For all of its core systems supporting trade matching, a matching service utility 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 adequacy of cyber resilience and 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

Trade settlement by registered dealer

7.1 (1) A registered dealer 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 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

Exemption

9.1 (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

Effective dates

10.1 [Lapsed]

Transition

10.2 [Lapsed]

[REPEALED]

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: Dealer 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
GUID 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) _____ Less than 90 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) _____ 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 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

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)

| <i>Entered into the clearing agency by deadline (to be completed by dealers only)</i> | | | | <i>Matched (to be completed by dealers and advisers)</i> | | | | | | | |
|---|----------|---------------------------|----------|--|----------|-----------------------------------|----------|--|----------|---|----------|
| <i># of trades</i> | <i>%</i> | <i>\$ value of trades</i> | <i>%</i> | <i># of trades matched</i> | <i>%</i> | <i>\$ value of trades matched</i> | <i>%</i> | <i># of trades matched by deadline</i> | <i>%</i> | <i>\$ value of trades matched by deadline</i> | <i>%</i> |
| | | | | | | | | | | | |

(2) Debt DAP/RAP trades

| <i>Entered into the clearing agency by deadline (to be completed by dealers only)</i> | | | | <i>Matched (to be completed by dealers and advisers)</i> | | | | | | | |
|---|----------|---------------------------|----------|--|----------|-----------------------------------|----------|--|----------|---|----------|
| <i># of trades</i> | <i>%</i> | <i>\$ value of trades</i> | <i>%</i> | <i># of trades matched</i> | <i>%</i> | <i>\$ value of trades matched</i> | <i>%</i> | <i># of trades matched by deadline</i> | <i>%</i> | <i>\$ value of trades matched by deadline</i> | <i>%</i> |
| | | | | | | | | | | | |

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 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 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 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 |
| <u>T - 12:00</u> <u>p.m.</u> | | | | | | | | |
| <u>T - 4:00</u> <u>p.m.</u> | | | | | | | | |
| <u>T - 7:30</u> <u>p.m.</u> | | | | | | | | |

| | | | | | | | | |
|---------------------------------------|--|--|--|--|--|--|--|--|
| <u>T + 1 – noon 3:59 a.m.</u> | | | | | | | | |
| <u>T+1 – 12:00 p.m.</u> | | | | | | | | |
| <u>T+1 – 4:00 pm</u> | | | | | | | | |
| <u>T+2 T+1 – 11:59 p.m.</u> | | | | | | | | |
| <u>>T+12</u> | | | | | | | | |
| 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 |
| <u>T – 12:00 p.m.</u> | | | | | | | | |
| <u>T – 4:00 p.m.</u> | | | | | | | | |
| <u>T – 7:30 p.m.</u> | | | | | | | | |
| <u>T + 1 – noon 3:59 a.m.</u> | | | | | | | | |
| <u>T+1 – 12:00 p.m.</u> | | | | | | | | |
| <u>T+1 – 4:00 pm</u> | | | | | | | | |
| <u>T+2 T+1 – 11:59 p.m.</u> | | | | | | | | |
| <u>>T+12</u> | | | | | | | | |
| 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: INITIAL SUBMISSION 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:

1. Website address:
2. Date of financial year-end: _____ (DD/MMM/YYYY)
3. 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: CORPORATION PARTNERSHIP

OTHER (SPECIFY):

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

(b) Jurisdiction and manner of formation:

4. 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 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 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.

EXHIBITS:

1. CORPORATE GOVERNANCE

Exhibit A – Constatng 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: VOLUNTARY CESSATION
 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 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 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 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 |
| <u>T – 12:00 p.m.</u> | | | | | | | | |
| <u>T – 4:00 p.m.</u> | | | | | | | | |
| <u>T – 7:30 p.m.</u> | | | | | | | | |
| <u>T + 1 – noon 3:59 a.m.</u> | | | | | | | | |
| <u>T+1 – 12:00 p.m.</u> | | | | | | | | |
| <u>T+1 – 4:00 pm</u> | | | | | | | | |
| <u>T+2 T+1 – 11:59 p.m.</u> | | | | | | | | |
| <u>>T+12</u> | | | | | | | | |
| 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 |
| <u>T – 12:00 p.m.</u> | | | | | | | | |
| <u>T – 4:00 p.m.</u> | | | | | | | | |
| <u>T – 7:30 p.m.</u> | | | | | | | | |
| <u>T + 1 – noon 3:59 a.m.</u> | | | | | | | | |

| | | | | | | | | |
|----------------------|--|--|--|--|--|--|--|--|
| T+1 – 12:00 p.m. | | | | | | | | |
| T+1 – 4:00 pm | | | | | | | | |
| T+2 T+1 – 11:59 p.m. | | | | | | | | |
| >T+12 | | | | | | | | |
| 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)

ANNEX F
BLACKLINE TO
COMPANION POLICY 24-101CP
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT

Contents

Part 1 Introduction, Purpose and Definitions

Purpose of Instruction
General explanation of matching, clearing and settlement
Section 1.1 - Definitions and scope

Part 2 Trade Matching Requirements

Trade data elements
Trade matching deadlines for registered firms
Choice of trade-matching agreement or trade-matching statement
Determination of appropriate policies and procedures
Use of matching service utility

Part 3 Information Reporting Requirements

~~Exception reporting for registered firms~~
~~Regulatory reviews of registered firm exception reports~~
~~Other~~ Information reporting requirements
~~Forms delivered in electronic form~~
Confidentiality of information

Part 4 Requirements for Matching Service Utilities

Matching service utility
Initial information reporting requirements for a matching service utility
Change to significant information
Ongoing information reporting and other requirements applicable to a matching service utility
Capacity, integrity and security system requirements

Part 5 Trade Settlement

Trade settlement by dealer

Part 6 Requirements of Self-Regulatory Organizations and Others

Standardized documentation

PART 1 INTRODUCTION, PURPOSE AND DEFINITIONS¹

Purpose of Instrument

1.1 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

General explanation of matching, clearing and settlement

1.2 (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 behalf of others is required to report and

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

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
- (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

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~~ Canadian Investment Regulatory Organization (CIRO) Rules, such as IDPC Rule 4753, which provides 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" by no later than 6 pm on the 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 14.12 of NI 31-103 and ~~IIROC Member Rule 200.1(h)~~ IDPC Rule 3816 Trade Confirmations.

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.

Section 1.1 - Definitions and scope

1.3 (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* 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). 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 HROC IDPC 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

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

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

Trade data elements

2.1 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.

Trade matching deadlines for registered firms

2.2 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 ~~4:22 p.m. (noon)~~ 3:59 a.m. Eastern Time on T+1. 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

Choice of trade-matching agreement or trade-matching statement

2.3 (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.
- (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~~ prescribe 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

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.

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.

Determination of appropriate policies and procedures

2.4 (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, registered advisers and other market participants to upgrade their systems and enhance their interoperability with others.⁹

Use of matching service utility

2.5 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

⁸ See IROC Member Rule 35 Introducing Broker / Carrying Broker Arrangements; IDPC Rule 2400 Acceptable Back Office Arrangements.

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

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

Exception reporting for registered firms

3.1

(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 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.

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 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.~~

Regulatory reviews of registered firm exception reports

3.2

- ~~(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) 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. Consistently poor qualitative reporting 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.~~

Other information reporting requirements

3.31 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 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.

Forms delivered in electronic form

3.4 Registered firms 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.autorites-valeurs-mobilieres.ca/ressources_professionnelles.aspx?id=52

Confidentiality of information

3.25 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

Matching service utility

4.1 (1) Part 6 of the Instrument sets out reporting, systems capacity, and other requirements of a matching service utility. 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 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.

Initial information reporting requirements for a matching service utility

4.2 Subsection 6.1(1) of the Instrument 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

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".

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.

Change to significant information

4.3 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.

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

4.4 (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.

Capacity, integrity and security system requirements

4.5 (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

Trade settlement by dealer

5.1 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+~~12~~ settlement cycle period for most transactions in equity and long-term debt securities.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

Standardized documentation

6.1 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).

¹¹ See, for example, HROC Member Rule 800.27 and TSX Rule 5-103(4) IDPC Rule 4800.

ANNEX G
LOCAL MATTERS

There are no local matters in Alberta to consider at this time.