

Regulation to amend National Instrument 21-101 Marketplace Operation

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (2), (3), (8), (9.1), (26), (32) and (34))

1. The title of National Instrument 21-101 Marketplace Operation is replaced with the following:

“Regulation 21-101 respecting Marketplace Operation”.

2. Section 1.1 of the National Instrument is amended:

(1) by replacing the word “Instrument” with the word “Regulation” in the introductory paragraph;

(2) by replacing the word “Instrument” with the word “Regulation” in the definition of “information processor”;

(3) by deleting the definitions of “market integrator” and “NI 23-101”;

(4) by replacing, in the definition of “exchange-traded security”, the words “Instrument and NI 23-101” with the words “Regulation and Regulation 23-101 respecting Trading Rules adopted by the Commission des valeurs mobilières du Québec pursuant to decision No. 2001-C-0411 dated August 28, 2001”;

(5) by replacing the definition of “government debt security” with the following:

““government debt security” means

(a) a debt security issued or guaranteed by the government of Canada, or any province or territory of Canada,

(b) a debt security issued or guaranteed by any municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and to be collected by or through the municipality in which the property is situated,

(c) a debt security of a crown corporation,

(d) in Ontario, a debt security of any school board in Ontario or of a corporation established under section 248(1) of the Education Act (R.S.O. 1990, c. E.2) of Ontario, or

(e) in Québec, a debt security of the Comité de gestion de la taxe scolaire de l'Île de Montréal

that is not listed on a recognized exchange or quoted on a recognized quotation and trade reporting system or listed on an exchange or quoted on a quotation and trade reporting system that has been recognized for the purposes of this Regulation and Regulation 23-101 respecting Trading Rules;”;

(6) by replacing, in the definition of “corporate debt security”, the words “Instrument and NI 23-101” with the words “Regulation and Regulation 23-101 respecting Trading Rules”.

3. Section 6.2 of the National Instrument is replaced by the following:

“6.2 Registration Exemption Not Available

Except as provided in this Instrument, the registration exemptions applicable to dealers under securities legislation are not available to an ATS.”.

4. The National Instrument is amended by inserting the following after section 6.12:

“6.13 Access Requirements

An ATS shall

(a) establish written standards for granting access to trading on it;

(b) not unreasonably prohibit, condition or limit access by a person or company to services offered by it; and

(c) keep records of

(i) each grant of access, including, for each subscriber, the reasons for granting access to an applicant, and

(ii) each denial or limitation of access, including the reasons for denying or limiting access to an applicant.”.

5. The title of Part 7 and sections 7.1 to 7.4 of the National Instrument are replaced with the following:

**“PART 7 INFORMATION TRANSPARENCY
REQUIREMENTS FOR MARKETPLACES
DEALING IN EXCHANGE-TRADED
SECURITIES AND FOREIGN EXCHANGE-
TRADED SECURITIES**

**7.1 Pre-Trade Information Transparency –
Exchange-Traded Securities**

(1) A marketplace that displays orders of exchange-traded securities to a person or company shall provide accurate and timely information regarding orders for the exchange-traded securities displayed on the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

**7.2 Post-Trade Information Transparency –
Exchange-Traded Securities**

A marketplace shall provide accurate and timely information regarding trades for exchange-traded securities executed on the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.

**7.3 Pre-Trade Information Transparency –
Foreign Exchange-Traded Securities**

(1) A marketplace that displays orders of foreign exchange-traded securities to a person or company shall provide accurate and timely information regarding orders for the foreign exchange-traded securities displayed on the marketplace to an information vendor.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

**7.4 Post-trade Information Transparency –
Foreign Exchange-Traded Securities**

A marketplace shall provide accurate and timely information regarding trades for foreign exchange-traded securities executed on the marketplace to an information vendor.”.

6. Section 7.5 of the National Instrument is replaced by the following:

7.5 Consolidated Feed – Exchange-Traded Securities

An information processor shall produce an accurate and timely consolidated feed showing the information provided to the information processor under sections 7.1 and 7.2.

7.6 Compliance with Requirements of an Information Processor

A marketplace shall comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.”.

7. Section 8.1 of the National Instrument is replaced with the following:

(1) by replacing the title with the following:

“8.1 Pre-Trade and Post-Trade Information Transparency Requirements – Government Debt Securities”;

(2) by replacing the paragraph 1 with the following:

“(1) A marketplace that displays orders of government debt securities to a person or company shall provide to an information processor accurate and timely information regarding orders for government debt securities displayed on the marketplace as required by the information processor.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

(3) A marketplace shall provide to an information processor accurate and timely information regarding details of trades of government debt securities executed on the marketplace as required by the information processor.

(4) An inter-dealer bond broker shall provide to an information processor accurate and timely information regarding orders for government debt securities executed through the inter-dealer bond broker as required by the information processor.

(5) An inter-dealer bond broker shall provide to an information processor accurate and timely information regarding details of trades of government debt securities executed through the inter-dealer bond broker as required by the information processor.”;

(3) by replacing, in the French text of the paragraph 2 “employés” with “salaries”.

8. Section 8.2 of the National Instrument is amended:

(1) by replacing the title with the following:

“8.2 Pre-Trade and Post-Trade Information Transparency Requirements - Corporate Debt Securities”;

(2) by replacing the paragraph with the following:

“(1) A marketplace that displays orders of corporate debt securities to a person or company shall provide accurate and timely information regarding orders for designated corporate debt securities displayed on the marketplace to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.”;

(3) by adding the following paragraphs:

“(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

(3) A marketplace shall provide accurate and timely information regarding details of trades of designated corporate debt securities executed on the marketplace to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

(4) An inter-dealer bond broker shall provide accurate and timely information regarding details of trades of designated corporate debt securities executed through the inter-dealer bond broker to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

(5) A dealer executing trades of corporate debt securities outside of a marketplace shall provide accurate and timely information regarding details of trades of designated corporate debt securities traded by or through the dealer to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.”.

9. The National Instrument is amended by replacing sections 8.3 through 8.7 with the following:

“8.3 Consolidated Feed — Unlisted Debt Securities

An information processor shall produce a consolidated feed in real-time showing the information provided to the information processor under sections 8.1 and 8.2.

8.4 Compliance with Requirements of an Information Processor

A marketplace, inter-dealer bond broker or dealer that is subject to this Part shall comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.

8.5 Reporting Requirements for the Information Processor

(1) The information processor shall report, within 30 days after the end of each calendar quarter, the process and criteria for selection of government debt securities, as applicable, and designated corporate debt securities and the list of government debt securities, as applicable, and designated corporate debt securities.

(2) The information processor shall report, within 30 days after the end of each calendar year, the process to communicate the designated securities to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by the Instrument, including where the list of designated securities can be found.

8.6 Exemption for Government Debt Securities

Section 8.1 does not apply until January 1, 2012.”.

10. The title of Part 9 and sections 9.1 to 9.4 of the National Instrument are repealed.

11. Sections 10.1 and 10.2 of the National Instrument are replaced with the following:

“10.1 Disclosure of Transaction Fees by Marketplaces

A marketplace shall make its schedule of transaction fees publicly available.”.

12. Paragraph (1) of section 11.2 of the National Instrument is amended:

- (1) in subparagraph (c):
 - (a) by deleting subparagraphs (xii), (xvi) and (xviii);

(b) by replacing, in subparagraph (xvii) of the English text, “,” with “; and”;

(2) in subparagraph (viii) of subparagraph (d), by replacing the words “the market integrator or any other marketplace” with the words “an information vendor or a marketplace”.

13. Section 11.2 of the National Instrument is amended by replacing paragraph (2) with the following:

“(2) A marketplace shall transmit to a securities regulatory authority or a regulation services provider, if it has entered into an agreement with a regulation services provider in accordance with NI 23-101, the information required by the securities regulatory authority or the regulation services provider, within ten business days, in electronic form as required by the securities regulatory authority or regulation services provider.

(3) The record kept by a marketplace under section 11.1 and subsection (1) and the transmission of information to a securities regulatory authority or a regulation services provider under subsection (2) shall be in electronic form as prescribed by a securities regulatory authority or a regulation services provider.”.

14. Section 11.3 of the National Instrument is amended by inserting, in subparagraph (b) of paragraph (1), “or 6.13” after “section 5.1”.

15. The National Instrument is amended by inserting the following after section 12.2:

“12.3 Availability of Technology Specifications and Testing Facilities

(1) For at least two months immediately prior to operating, a marketplace shall make available to the public any technology requirements regarding interfacing with or access to the marketplace.

(2) After the technology requirements set out in subsection (1) have been published, a marketplace shall make available to the public, for at least one month, testing facilities for interfacing with and access to the marketplace.”.

16. Appendix A to the National Instrument is repealed.

17. Form 21-101F1 of the National Instrument is amended:

- (1) by deleting the following after Item 11:

“THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.”;

(2) by replacing, in the second paragraph of the part entitled “EXHIBITS”, the words “National Instrument 21-101” with the words “Regulation 21-101 respecting Marketplace Operation”;

(3) by replacing, in paragraph 5 of the subsection entitled “Exhibit E” of section 1, the words “National Instrument 21-101 Marketplace Operation” with the words “Regulation 21-101 respecting Marketplace Operation”;

(4) by replacing, in the subsection entitled “Exhibit R” of section 7, the words “National Instrument 23-101” with the words “Regulation 23-101 respecting Trading Rules”.

18. Form 21-101F2 of the National Instrument is amended:

(1) by deleting the following after paragraph L:

“THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.”;

(2) by replacing, in the second paragraph of the part entitled “EXHIBITS”, the words “National Instrument 21-101” with the words “Regulation 21-101 respecting Marketplace Operation”;

(3) by inserting the following at the end of paragraph 5 of the subsection entitled “Exhibit G”:

“Where applicable, the description should include, at a minimum: the parties involved in settling the trades; the trades being settled; and the procedures to manage counterparty and settlement risk.”;

(4) by replacing, in the subsection entitled “Exhibit N”, the words “National Instrument 21-101” with the words “Regulation 21-101 respecting Marketplace Operation”.

19. Forms 21-101F3 and 21-101F4 of the National Instrument are amended by deleting the following:

“THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.”.

20. Form 21-101F5 of the National Instrument is amended:

(1) by deleting the following after Item 12:

“THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.”;

(2) by replacing, in the second paragraph of the part entitled “EXHIBITS”, the words “National Instrument 21-101” with the words “Regulation 21-101 respecting Marketplace Operation”;

(3) in part 1:

(a) by inserting the following at the end of the subsection entitled “Exhibit A”:

“identifying the processes and procedures which promote independence from the marketplaces, inter-dealer bond brokers and dealers that provide data”;

(b) by inserting, in the subsection entitled “Exhibit C”, the following after “the previous year”:

“identifying those individuals with overall responsibility for the integrity and timeliness of data reported to and displayed by the system (the “System”) of the information processor.”;

(c) by inserting the following at the end of the first sentence of the subsection entitled “Exhibit E”:

“identifying the employees responsible for monitoring the timeliness and integrity of data reported to and displayed by the System.”;

(4) in part 2:

(a) by replacing “the system (the “System”) of the information processor” with “the System” in the subsection entitled “Exhibit G”;

(b) by replacing, in the subsection entitled “Exhibit G” of section 2, the words “National Instruments 21-101 and 23-101” with the words “Regulation 21-101 respecting Marketplace Operation and Regulation 23-101 respecting Trading Rules”;

(c) by inserting the following at the end of paragraph 2 of the subsection entitled “Exhibit G”:

“including data validation processes”;

(d) by replacing the subsection entitled “Exhibit H” with the following:

“A description in narrative form of each service or function performed by the information processor. Include a description of all procedures utilized for the collection, processing, distribution, validation and publication of information with respect to orders and trades in securities.”;

(e) by replacing, in the subsection entitled “Exhibit J”, the last sentence with the following:

“Describe any measures used to verify the timeliness and accuracy of information received and disseminated by the System, including the processes to resolve data integrity issues identified.”;

(5) by replacing, in the French text of the subsection entitled “Exhibit N” of part 3, “de recettes” with “des produits”;

(6) in part 4:

(a) by replacing the heading with the following:

“4. Fees and Revenue Sharing”;

(b) by inserting the following at the end of the subsection entitled “Exhibit O”:

“Where arrangements to share revenue from the sale of data disseminated by the information processor with marketplaces, inter-dealer bond brokers and dealers that provide data to the information processor in accordance with Regulation 21-101 respecting Marketplace Operation are in place, a complete description of the arrangements and the basis for these arrangements.”;

(7) by adding the following after part 5:

“6. Selection of Securities Reported to the Information Processor

Exhibit T

Where the information processor is responsible for making a determination of the data which must be reported, including the securities for which information must be reported in accordance with Regulation 21-101 respecting Marketplace Operation, describe the manner of selection and communication of these securities. This description should include the following:

1. The criteria used to determine which securities should be reported to the information processor.

2. The process for selection of the securities, including a description of the parties consulted in the process and the frequency of the selection process.

3. The process to communicate the securities selected to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by Regulation 21-101 respecting Marketplace Operation. The description should include where this information is located.”.

21. Form 21-101F6 of the National Instrument is amended by deleting the following:

“THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.”.

22. The National Instrument is amended by replacing, everywhere they appear, the words “this Instrument” with the words “this Regulation”, and making the necessary changes.

23. The National Instrument is amended by replacing, everywhere they appear, the words “NI 23-101” with the words “Regulation 23-101 respecting Trading Rules”, and making the necessary changes.

24. This Regulation comes into force on the day of its publication in the *Gazette officielle du Québec*.

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