

## REGULATION TO AMEND REGULATION 21-101 RESPECTING MARKETPLACE OPERATION

Securities Act

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

1. Section 1.1 of Regulation 21-101 respecting Marketplace Operation is amended:

(1) by deleting the definition of “IDA”;

(2) by replacing paragraph (b) of the definition of “recognized exchange” with the following:

“(b) in Québec, an exchange recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or self-regulatory organization;”;

(3) by replacing the definition of “inter-dealer bond broker” with the following:

““inter-dealer bond broker” means a person that is approved by the IIROC under IIROC Rule 36 Inter-Dealer Bond Brokerage Systems, as amended, and is subject to IIROC Rule 36 and IIROC Rule 2100 Inter-Dealer Bond Brokerage Systems, as amended;”;

(4) by inserting, after the definition of “government debt security”, the following:

““IIROC” means the Investment Industry Regulatory Organization of Canada;”;

(5) by replacing the definition of “recognized quotation and trade reporting system” with the following:

““recognized quotation and trade reporting system” means

(a) in every jurisdiction other than British Columbia and Québec, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system;

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange; and

(c) in Québec, a quotation and trade reporting system recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or a self-regulatory organization;”.

2. Section 1.4 of the Regulation is amended by adding, after paragraph (2), the following:

“(3) In Québec, the term “security”, when used in this Regulation, includes a standardized derivative as this notion is defined in the Derivatives Act (R.S.Q., c. I-14.01).”.

3. The title of part 10 of the Regulation is replaced with the following:

**“PART 10 TRADING FEES FOR MARKETPLACES”.**

4. The Regulation is amended by adding, after section 10.2, the following:

### “10.3. Discriminatory Terms

With respect to the execution of an order, a marketplace shall not impose terms that have the effect of discriminating between orders that are routed to that marketplace and orders that are entered on that marketplace.”

5. Section 11.5 of the Regulation is replaced with the following:

### “11.5. Synchronization of Clocks

(1) A marketplace trading exchange-traded securities or foreign exchange-traded securities, an information processor receiving information about those securities, and a dealer trading those securities shall synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part and under Regulation 23-101 respecting Trading Rules with the clock used by a regulation services provider monitoring the activities of marketplaces and marketplace participants trading those securities.

(2) A marketplace trading corporate debt securities or government debt securities, an information processor receiving information about those securities, a dealer trading those securities, and an inter-dealer bond broker trading those securities shall synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part and under Regulation 23-101 respecting Trading Rules with the clock used by a regulation services provider monitoring the activities of marketplaces, inter-dealer bond brokers or dealers trading those securities.”

6. Sections 12.1 to 12.3 of the Regulation are replaced with the following:

### “12.1. System Requirements

For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall

- (a) develop and maintain
  - (i) reasonable business continuity and disaster recovery plans;
  - (ii) an adequate system of internal control over those systems; and
  - (iii) adequate information technology general controls, including without limitation, controls relating to information systems operations, information security, change management, problem management, network support and system software support;
- (b) in accordance 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 to determine the ability of those systems to process transactions in an accurate, timely and efficient manner; and
  - (iii) test its business continuity and disaster recovery plans; and
- (c) promptly notify the regulator or, in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any material systems failure, malfunction or delay.

### 12.2. System Reviews

(1) For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph 12.1(a).

(2) A marketplace shall provide the report resulting from the review conducted under subsection (1) to

(a) its board of directors, or audit committee, promptly upon the report's completion, and

(b) the regulator or, in Québec, the securities regulatory authority, within 30 days of providing the report to its board of directors or the audit committee.

### **12.3. Availability of Technology Requirements and Testing Facilities**

(1) A marketplace shall make publicly available all technology requirements regarding interfacing with or accessing the marketplace in their final form,

(a) if operations have not begun, for at least three months immediately before operations begin; and

(b) if operations have begun, for at least three months before implementing a material change to its technology requirements.

(2) After complying with subsection (1), a marketplace shall make available testing facilities for interfacing with or accessing the marketplace,

(a) if operations have not begun, for at least two months immediately before operations begin; and

(b) if operations have begun, for at least two months before implementing a material change to its technology requirements.

(3) A marketplace shall not begin operations until it has complied with paragraphs (1)(a) and (2)(a).

(4) Subsections 12.3(1)(b) and (2)(b) do not apply to a marketplace if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment if

(a) the marketplace immediately notifies the regulator, or in Québec, the securities regulatory authority, and, if applicable, its regulation services provider of its intention to make the change; and

(b) the marketplace publishes the changed technology requirements as soon as practicable.”.

7. Section 14.5 of the Regulation is replaced with the following:

#### **“14.5. System Requirements**

An information processor shall

(a) develop and maintain

(i) reasonable business continuity and disaster recovery plans;

(ii) an adequate system of internal controls over its critical

systems; and

(iii) adequate information technology general controls, including, without limitation, controls relating to information systems operations, information security, change management, problem management, network support, and system software support;

(b) in accordance with prudent business practice, on a reasonably frequent basis and in any event, at least annually,

(i) make reasonable current and future capacity estimates for each of its systems;

(ii) conduct capacity stress tests of its critical systems to determine the ability of those systems to process information in an accurate, timely and efficient manner; and

(iii) test its business continuity and disaster recovery plans;

(c) annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph (a);

(d) provide the report resulting from the review conducted under paragraph (c) to

(i) its board of directors or the audit committee promptly upon the report's completion, and

(ii) the regulator or, in Québec, the securities regulatory authority, within 30 days of providing it to the board of directors or the audit committee; and

(e) promptly notify the following of any failure, malfunction or material delay of its systems or equipment

(i) the regulator or, in Québec, the securities regulatory authority; and

(ii) any regulation services provider, recognized exchange or recognized quotation and trade reporting system monitoring trading of the securities about which information is provided to the information processor.”.

**8.** This Regulation comes into force on January 28, 2010.