

**REGULATION TO AMEND REGULATION 24-101 RESPECTING INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

Securities Act

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

**1.** Section 1.1 of Regulation 24-101 respecting Institutional Trade Matching and Settlement is amended :

(1) by replacing “authorized” with “recognized” in the definition of “clearing agency”;

(2) by replacing the words “the day on which a trade is executed” with “T” in the definition of “T+2”;

(3) by replacing the definition of “institutional investor” with the following:

““institutional investor” means a client of a dealer that has been granted DAP/RAP trading privileges by the dealer;”;

(4) by replacing paragraphs (a) and (b) of the definition of “trade-matching party” with the following:

(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 that has net investment assets under administration or management of less than \$10,000,000;”;

(5) by replacing the words “the day on which a trade is executed” with “T” in the definition of “T+1”;

(6) by replacing the words “the day on which a trade is executed” with “T” in the definition of “T+3”.

**2.** Paragraph 2.1(f) of the Regulation is amended by adding “in a security of a mutual fund” after “trade”.

**3.** Subsection 3.1(2) of the Regulation is amended by adding “or settlement instructions” after “investment decisions”.

**4.** Section 3.2 of the Regulation is replaced with the following:

**“3.2 Pre-DAP/RAP trade execution documentation requirement for dealers**

Without limiting the generality of section 3.1, a registered dealer shall 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 either

(a) enter into a trade-matching agreement with the dealer, or

(b) provide a trade-matching statement to the dealer.”.

5. Subsection 3.3(2) of the Regulation is amended by adding “or settlement instructions” after “investment decisions”.

6. Section 3.4 of the Regulation is replaced with the following:

**“3.4 Pre- DAP/RAP trade execution documentation requirement for advisers**

Without limiting the generality of section 3.3, a registered adviser shall 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 either

- (a) enter into a trade-matching agreement with the adviser, or
- (b) provide a trade-matching statement to the adviser.”.

7. The title of Part 4 and section 4.1 of the Regulation are replaced with the following:

**“PART 4 REPORTING BY REGISTERED FIRMS**

**4.1 Exception reporting requirement**

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

(a) less than 90 per cent of the DAP/RAP trades in equity securities executed by or for the registered firm during the quarter matched within the time required in Part 3, or

(b) the DAP/RAP trades in debt securities 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 debt securities purchased and sold in those trades.

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

**“10.3 Post-June 2010 Transition**

(1) A reference to “the end of T” in subsections 3.1(1) and 3.3(1) shall each be read as a reference to:

- (a) “2:00 p.m. on T+1”, for trades executed before July 1, 2012; and
- (b) “12 p.m. (noon) on T+1”, for trades executed after June 30, 2012 and before July 1, 2015.

(2) A reference to the “end of T+1” in subsections 3.1(2) and 3.3(2) shall each be read as a reference to:

- (a) “2:00 p.m. on T+2”, for trades executed before July 1, 2012; and
- (b) “12:00 p.m. (noon) on T+2”, for trades executed after June 30, 2012 and before July 1, 2015.

(3) A reference to “90 per cent” in paragraphs 4.1(a) and (b) shall each be read as a reference to:

- (a) “70 per cent”, for trades executed after June 30, 2015 and before July 1, 2016; and

(b) "80 per cent", for trades executed after June 30, 2016 and before July 1, 2017.

9. Form 24-101F1 is amended:

(1) by replacing item 3 under "REGISTERED FIRM IDENTIFICATION AND CONTACT INFORMATION:" with the following:

"3a. Address of registered firm's principal place of business:

3b. Please indicate below the jurisdiction of your principal regulator within the meaning of Regulation 31-103 respecting Registration Requirements and Exemptions:

- Alberta
- British Columbia
- Manitoba
- New Brunswick
- Newfoundland & Labrador
- Northwest Territories
- Nova Scotia
- Nunavut
- Ontario
- Prince Edward Island
- Quebec
- Saskatchewan
- Yukon

3c. Please indicate below all jurisdictions in which you are registered to carry on business:

- Alberta
- British Columbia
- Manitoba
- New Brunswick
- Newfoundland & Labrador
- Northwest Territories
- Nova Scotia
- Nunavut
- Ontario
- Prince Edward Island
- Quebec
- Saskatchewan
- Yukon";

(2) by replacing the portion of the Form after the heading "INSTRUCTIONS:" and before the heading "EXHIBITS" with the following:

*"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 Regulation, covering the calendar quarter indicated above, within 45 days of the end of the calendar quarter if,*

*(a) less than 90 per cent\* of the equity DAP/RAP trades executed by or for you during the quarter matched within the time\*\* required in Part 3 of the Regulation, or*

*(b) the debt DAP/RAP trades executed by or for you during the quarter that matched within the time\*\* required in Part 3 of the Regulation represent less than 90 per cent\* of the aggregate value of the debt securities purchased and sold in those trades.*

*Transition*

\* For DAP/RAP trades executed during a transitional period after June 30, 2015 and before July 1, 2017, this percentage will vary depending on when the trade was executed. See Part 7 of the Policy Statement to the Regulation.

\*\* The time set out in Part 3 of the Regulation is 11:59 p.m. on “T” or “T+1”, as the case may be. For DAP/RAP trades executed during a transitional period before July 1, 2012, the time is 2:00 p.m. on “T+1” or “T+2”, as the case may be. For DAP/RAP trades executed after June 30, 2012 and before July 1, 2015, the time is 12:00 p.m. (noon) on “T+1” or “T+2”, as the case may be. See Part 7 of the Policy Statement to the Regulation.

(3) by replacing the portion of the Form under the heading “EXHIBITS:” after the words “each calendar quarter.” and before the words “Describe the circumstances” with the following:

*“(1) Equity DAP/RAP trades*

<i>Entered into CDS by deadline (to be completed by dealers only)</i>		<i>Matched by deadline</i>	
<b># of Trades</b>	<b>%</b>	<b># of Trades</b>	<b>%</b>

*“(2) Debt DAP/RAP trades*

<i>Entered into CDS by deadline (to be completed by dealers only)</i>		<i>Matched by deadline</i>	
<b>\$ Value of Trades</b>	<b>%</b>	<b>\$ Value of Trades</b>	<b>%</b>

**Exhibit B – Reasons for not meeting exception reporting thresholds”;**

**10.** Form 24-102F2 is amended by replacing the portion of the Form after “Month/Year \_\_\_\_\_ MMM/YYYY” and before the heading “CERTIFICATE OF CLEARING AGENCY” with the following:

“Table 1 – Equity trades:

Timeline	<u>Entered into clearing agency by dealers</u>		<u>Matched in clearing agency by custodians</u>	
	# of Trades	% Industry	# of Trades	% Industry
T – 7:30 p.m.				
T – midnight				
T+1 – noon				
T+1 – 2:00 p.m.				
T+1 – midnight				
T+2 – midnight				
T+3 – midnight				

> T+3				
Total				

Table 2 – Debt Trades:

Timeline	<u>Entered into clearing agency by dealers</u>		<u>Matched in clearing agency by custodians</u>	
	\$ Value of Trades	% Industry	\$ Value of Trades	% Industry
T – 7:30 p.m.				
T – midnight				
T+1 – noon				
T+1 – 2:00 p.m.				
T+1 – midnight				
T+2 – midnight				
T+3 – midnight				
> T+3				
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.”.

11. Form 24-101F5 is amended by replacing the portion of the Form after “Month/Year \_\_\_\_\_ MMM/YYYY” and before the heading “CERTIFICATE OF MATCHING SERVICE UTILITY” with the following:

“Table 1 – Equity trades:

Timeline	<u>Entered into matching service utility by dealer- users/subscribers</u>		<u>Matched in matching service utility by other users/subscribers</u>	
	# of Trades	% Industry	# of Trades	% Industry
T – 7:30 p.m.				
T – midnight				
T+1 – noon				
T+1 – 2:00 p.m.				
T+1 – midnight				
T+2 – midnight				
T+3 – midnight				

> T+3				
Total				

Table 2 – Debt trades:

Timeline	<u>Entered into matching service utility by dealer-users/subscribers</u>		<u>Matched in matching service utility by other users/subscribers</u>	
	\$ Value of Trades	% Industry	\$ Value of Trades	% Industry
T – 7:30 p.m.				
T – midnight				
T+1 – noon				
T+1 – 2:00 p.m.				
T+1 – midnight				
T+2 – midnight				
T+3 – midnight				
> T+3				
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.

12. This Regulation comes into force on July 1, 2010.