

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

Securities Act

(R.S.Q., c.V-1.1, a. 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) in paragraph (b) of the definition of “clearing agency”, by replacing the word “authorized” with the word “recognized”;

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

(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 inserting the following after the definition of “matching service utility”:

““North American region” means Canada, the United States, Mexico, Bermuda and the countries of Central America and the Caribbean;”;

(5) 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 with total securities under administration or management not exceeding \$10 million;”;

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

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

2. Section 2.1 of the Regulation is amended by inserting, in paragraph (f), the words “in a security of a mutual fund” after the word “trade”.

3. Section 3.1 of the Regulation is amended:

(1) in paragraph (1), by replacing the words “the end of T” with the words “12 p.m. (noon) on T+1”;

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

“(2) Despite subsection (1), the dealer may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an

institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.”.

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

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

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

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

5. Section 3.3 of the Regulation is amended:

(1) in paragraph (1), by replacing the words “the end of T” with the words “12 p.m. (noon) on T+1”;

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

“(2) Despite subsection (1), the adviser may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.”.

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

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

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

- (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 executed by or for the registered firm during the quarter matched within the time required in Part 3, or
- (b) 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.”.

8. Form 24-101F1 of the Regulation is amended:

(1) by replacing item 3 after the heading “**REGISTERED FIRM IDENTIFICATION AND CONTACT INFORMATION:**” with the following:

“3a. Address of registered firm’s principal place of business:

3b. Indicate below the jurisdiction of your principal regulator within the meaning of Regulation 31-103 respecting Registration Requirements and Exemptions approved by Ministerial Order No. 2009-04 dated September 2009:

- 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”;

(2) by replacing the instructions and the reference on the transition with the following:

“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 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 and/or debt 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 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 Regulation represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.”;

(3) by replacing the heading of Exhibit B with the following:

“Exhibit B – Reasons for not meeting exception reporting thresholds”.

9. Form 24-102F2 of the Regulation is amended:

(1) by replacing the tables of Exhibit A with the following:

“Table 1 – Equity trades:

	<u>Entered into clearing agency by dealers</u>				<u>Matched in clearing agency by custodians</u>			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T								
T+1 noon	-							
T+1								
T+2								
T+3								
>T+3								
Total								

Table 2 – Debt trades:

	<u>Entered into clearing agency by dealers</u>				<u>Matched in clearing agency by custodians</u>			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T								
T+1 noon	-							
T+1								
T+2								
T+3								
>T+3								
Total								

”;

(2) by replacing Exhibit B with the following:

“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.”.

10. Form 24-101F5 of the Regulation is amended:

(1) by replacing the tables of Exhibit C with the following:

“Table 1 – Equity trades:

	<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	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T								
T+1 noon	-							
T+1								
T+2								
T+3								
>T+3								
Total								

Table 2 – Debt trades:

	<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	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T								
T+1 noon	-							
T+1								
T+2								
T+3								
>T+3								
Total								

”;

- (2) by replacing Exhibit D with the following:

“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.”.

- 11.** This Regulation comes into force on July 1, 2010.