**AMENDMENTS TO *POLICY STATEMENT TO REGULATION 24-101 RESPECTING INSTITUTIONAL TRADE MATCHING AND SETTLEMENT***

**1.** Section 1.2 of *Policy Statement to Regulation 24-101 respecting Institutional Trade Matching and Settlement* is amended:

(1) by replacing, in the last sentence of footnote 3 of paragraph (2), the words "within one hour of the execution of the trade" with "by no later than 6 pm on the day of the trade";

(2) by replacing footnote 5 of paragraph (c) of paragraph (3) with the following:

"[5] See, for example, section 14.12 of *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (chapter V-1.1, r. 10) and IIROC Member Rule 200.1(h).".

**2.** Section 1.3 of the Policy Statement is amended:

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

"(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 Regulation to narrow its scope to a recognized clearing agency that operates as a securities settlement system. The term securities settlement system is defined in *Regulation 24-102 respecting Clearing Agency Requirements* (chapter V1.1, r. 8.01) 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 Regulation applies to CDS Clearing and Depository Services Inc. (CDS). For the purposes of the Regulation, a clearing agency includes, in Québec, a clearing house and settlement system within the meaning of the *Securities Act* (chapter V-1.1). See subsection 1.2(2).

[footnote 6: See, for example, s. 1(1) of the *Securities Act* (Ontario).]".

(2) by replacing, in the second sentence of paragraph (4), the words "the Joint Financial Questionnaire and Report of the Canadian SROs" with "IIROC Form 1, Part II".

**3.** Section 2.2 of the Policy Statement is replaced with the following:

"**2.2. Trade matching deadlines for registered firms**

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 Regulation, 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 12 p.m. (noon) Eastern Time on T+1. The policies and procedures requirement of Part 3 of the Regulation 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]

[footnote 7: See s. 11.1 of *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (chapter V-1.1, r. 10), 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.]".

**4.** Section 3.1 of the Policy Statement is amended:

(1) by replacing, in the second sentence of paragraph (a), the words "a percentage target of the DAP/RAP trades" with "90 percent of the DAP/RAP trades (by volume and value)";

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

(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 Regulation 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.".

**5.** Section 3.2 of the Policy Statement is amended by replacing paragraph (b) with the following:

"(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 Policy Statement for a further discussion of our approach to compliance and enforcement of the trade-matching requirements of the Regulation.".

**6.** Section 3.3 of the Policy Statement is amended by replacing the words "participants or users/subscribers" with the words "participants, users or subscribers".

**7.** Section 3.4 of the Policy Statement is amended by replacing the word "may" with the word "should".

**8.** Section 3.5 of the Policy Statement is amended by replacing, in the French text, the words "titres de participation" with the words "titres de capitaux propres".

**9.** Section 4.1 of the Policy Statement is amended by replacing paragraph (1) with the following:

"(1) Part 6 of the Regulation sets out reporting, systems capacity, and other requirements of a matching service utility. For the purposes of the Regulation, 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 that seeks to provide centralized facilities for matching must, in

addition to the requirements of the Regulation, 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* (chapter V-1.1) or *Derivatives Act* (chapter I-14.01). In certain other jurisdictions, in addition to the requirements of the Regulation, such person 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]

[footnote 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".]".

**10.** Section 4.2 of the Policy Statement is amended by replacing "Sections s 6.1(1) and 10.2(4) of the Regulation require" with "Subsection 6.1(1) of the Regulation requires".

**11.** Section 4.5 of the Policy Statement is replaced with the following:

"**4.5. System requirements**

(1) The intent of these provisions is to ensure that controls are implemented to support information technology planning, acquisition, development and maintenance, computer operations, information systems support, and security. Recognized guides as to what constitutes adequate information technology controls include 'Information Technology Control Guidelines' from the Canadian Institute of Chartered Accountants (CICA) and 'COBIT' from the IT Governance Institute.

(2) Capacity management requires that the matching service utility monitor, review, and test (including stress test) the actual capacity and performance of the system on an ongoing basis. Accordingly, under paragraph 6.5(b), the matching service utility is required to meet certain standards for its estimates and for testing. These standards are consistent with prudent business practice. The activities and tests required in that paragraph are to be carried out at least once a year. In practice, continuing changes in technology, risk management requirements and competitive pressures will often result in these activities being carried out or tested more frequently.

(3) A failure, malfunction or delay or other incident is considered to be "material" if the matching service utility would, in the normal course of operations, escalate the matter to or inform its senior management ultimately accountable for technology. It is also expected that, as part of this notification, the matching service utility will provide updates on the status of the failure and the resumption of service. Further, the matching service utility should have comprehensive and well-documented procedures in place to record, report, analyze, and resolve all operational incidents. In this regard, the matching service utility should undertake a "post-incident" review to identify the causes and any required improvement to the normal operations or business continuity arrangements. Such reviews should, where relevant, include the matching service utility's participants. The results of such internal reviews are required to be communicated to the securities regulatory authority as soon as practicable. Paragraph 6.5(c) also refers to a material security breach. A material security breach or systems intrusion is considered to be any unauthorized entry into any of the systems that support the functions of the matching service utility or any system that shares resources with one or more of these systems. Virtually any security breach would be considered material and thus reportable to the securities regulatory authority. The onus would be on the matching service utility to document the reasons for any security breach it did not consider material.

"**4.6. Systems reviews**

(1) A qualified party is a person or a group of persons with relevant experience in both information technology and in the evaluation of related internal systems or controls in a complex information technology environment. Qualified persons may include external auditors or third party information system consultants, as well as employees of the matching service utility or an affiliated entity of the matching service utility, but may not be

persons responsible for the development or operation of the systems or capabilities being tested. Before engaging a qualified party, a matching service utility should discuss its choice with the regulator or, in Québec, the securities regulatory authority.

“**4.7. Matching service utility technology requirements and testing facilities**

(1) The technology requirements required to be disclosed under subsection 6.7(1) do not include detailed proprietary information.

(2) We expect the amended technology requirements to be disclosed as soon as practicable, either while the changes are being made or immediately after.

“**4.8. Testing of business continuity plans**

(1) Paragraph 6.8(a) of the Regulation requires that matching service utility develop and maintain reasonable business continuity plans, including disaster recovery plans. Business continuity planning should encompass all policies and procedures to ensure uninterrupted provision of key services regardless of the cause of potential disruption. In fulfilling the requirement to develop and maintain reasonable business continuity plans, the Canadian securities regulatory authorities expect that matching service utilities are to remain current with best practices for business continuity planning and to adopt them to the extent that they address their critical business needs.

(2) A matching service utility’s business continuity plan and its associated arrangements should be subject to frequent review and testing. At a minimum, under paragraph 6.8(b), such tests must be conducted annually. Tests should address various scenarios that simulate wide-scale disasters and inter-site switchovers. The matching service utility’s employees should be thoroughly trained to execute the business continuity plan and participants, critical service providers, and linked clearing agencies should be regularly involved in the testing and be provided with a general summary of the testing results. The CSA expects that the matching service utility will also facilitate and participate in industry-wide testing of the business continuity plan. The matching service utility should make appropriate adjustments to its business continuity plan and associated arrangements based on the results of the testing exercises.”.

**12.** Section 5.1 of the Policy Statement is amended:

(1) by replacing, in the second sentence, “T+3” with “T+2”;

(2) by renumbering footnote 10 to 11.