

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), (32), (32.0.1) and (34))

1. Section 1.1 of Regulation 24 101 respecting Institutional Trade Matching and Settlement (chapter V-1.1, r. 8) is amended:

(1) by replacing the definition of the expression “clearing agency” with the following:

““clearing agency” means a recognized clearing agency that operates as a securities settlement system within the meaning of Regulation 24-102 respecting Clearing Agency Requirements (chapter V-1.1, r. 8.01);”;

(2) in the definition of the expression “DAP/RAP trade”:

(a) by inserting, in the text preceding paragraph (a) and after the words “means a trade”, the words “in a security”;

(b) by replacing, in paragraph (b), the word “made” with the word “completed”;

(3) by deleting the definition of the expression “North American region”;

(4) by deleting the definition of the expression “T+3”, and making the necessary changes.

2. Section 1.2 of the Regulation is amended:

(1) by replacing, in the heading, the words “**Eastern Time**” with the words “**clearing agency**”;

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

“(2) For the purposes of this Regulation, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the Québec Securities Act (chapter V-1.1).”.

3. Section 2.1 of the Regulation is amended by replacing paragraph (f) with the following:

“(f) a trade to which Part 9 or 10 of Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39) applies,”.

4. Section 3.1 of the Regulation is amended:

(1) in paragraph (1), by replacing the word “shall” with the word “must” and by inserting, after “12 p.m. (noon)”, the words “Eastern Time”;

(2) by deleting paragraph (2).

5. Section 3.3 of the Regulation is amended:

(1) in paragraph (1), by replacing the word “shall” with the word “must” and by inserting, after “12 p.m. (noon)”, the words “Eastern Time”;

(2) by deleting paragraph (2).

6. Section 5.1 of the Regulation is amended by deleting the words “through which trades governed by this Regulation are cleared and settled” and by replacing the word “shall” with the word “must”.

7. Section 6.5 of the Regulation is replaced by the following:

“6.5. System requirements

For each system operated by a matching service utility that supports the matching service utility’s trade matching function, a matching service utility must

(a) develop and maintain

(i) an adequate system of internal controls over that system, and

(ii) 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, and

(ii) conduct capacity stress tests to determine the ability of that system to process transactions in an accurate, timely and efficient manner, and

(c) promptly notify the regulator or, in Québec, the securities regulatory authority of any material systems failure, malfunction, delay or security breach, and provide timely updates on the status of the failure, malfunction, delay or security breach, the resumption of service, and the results of the matching service utility’s internal review of the failure, malfunction, delay or security breach.”.

8. The Regulation is amended by adding, after section 6.5, the following:

“6.6. Systems reviews

(1) A matching service utility must annually engage a qualified party to conduct an independent systems review and vulnerability assessment and prepare a report in accordance with established audit standards and best industry practices to ensure that the matching service utility is in compliance with paragraph 6.5(a) and paragraph 6.8(a).

(2) The matching service utility must 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, by the earlier of the 30th day after providing the report to its board of directors or the audit committee or the 60th day after the calendar year end.

“6.7. Matching service utility technology requirements and testing facilities

(1) A matching service utility must make available to its users, in their final form, all technology requirements regarding interfacing with or accessing the matching service utility

(a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by users, and

(b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by users.

(2) After complying with subsection (1), the matching service utility must make available testing facilities for interfacing with or accessing the matching service utility

(a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by users, and

(b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by users.

(3) The matching service utility must not begin operations before

(a) it has complied with paragraphs (1)(a) and (2)(a), and

(b) the chief information officer of the matching service utility, or an individual performing a similar function, has certified in writing to the regulator or, in Québec, the securities regulatory authority, that all information technology systems used by the matching service utility have been tested according to prudent business practices and are operating as designed.

(4) The matching service utility must not implement a material change to the systems referred to in section 6.5 before

(a) it has complied with paragraphs (1)(b) and (2)(b), and

(b) the chief information officer of the matching service utility, or an individual performing a similar function, has certified in writing to the regulator or, in Québec, the securities regulatory authority, that the change has been tested according to prudent business practices and is operating as designed.

(5) Subsection (4) does not apply to the matching service utility if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment and if

(a) the matching service utility immediately notifies the regulator or, in Québec, the securities regulatory authority, of its intention to make the change, and

(b) the matching service utility discloses to its users the changed technology requirements as soon as practicable.

“6.8. Testing of business continuity plans

A matching service utility must

(a) develop and maintain reasonable business continuity plans, including disaster recovery plans, and

(b) test its business continuity plans, including its disaster recovery plans, according to prudent business practices and on a reasonably frequent basis and, in any event, at least annually.”.

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

(1) under the heading “*INSTRUCTIONS:*”:

(a) by replacing, wherever they occur in the French text, the words “titres de participation” with the words “titres de capitaux propres”;

(b) by inserting the following at the end of the text and before the heading “**EXHIBITS:**”:

“*Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics. Exhibit A(1) applies only to trades in equity and ETF securities. Exhibit A(2) applies only to trades in debt and other fixed-income securities.*”;

(2) under the heading “**EXHIBITS:**”:

(a) by replacing Exhibit A with the following:

“Exhibit A – DAP/RAP trade statistics for the quarter

Where applicable, complete Table 1 or 2, or both, below for each calendar quarter. Deadline means noon Eastern time on T+1.

(1) *Equity DAP/RAP trades (includes ETF trades)*

<i>Entered into the clearing agency by deadline (to be completed by dealers only)</i>				<i>Matched (to be completed by dealers and advisers)</i>							
# of trades	%	\$ value of trades	%	# of trades matched	%	\$ value of trades matched	%	# of trades matched by deadline	%	\$ value of trades matched by deadline	%

(2) *Debt DAP/RAP trades*

<i>Entered into the clearing agency by deadline (to be completed by dealers only)</i>				<i>Matched (to be completed by dealers and advisers)</i>							
# of trades	%	\$ value of trades	%	# of trades matched	%	\$ value of trades matched	%	# of trades matched by deadline	%	\$ value of trades matched by deadline	%

Legend

“# of Trades” is the total number of transactions in the calendar quarter;
“\$ Value of Trades” is the total value of the transactions (purchases and sales) in the calendar quarter.

(b) by replacing, in the French text of Exhibit B and Exhibit C, the words “titres de participation” with the words “titres de capitaux propres”.

10. Form 24-101F2 of the Regulation is amended:

(1) under the heading “*INSTRUCTIONS:*”:

(a) by inserting, after the first paragraph, the following:

“*Include client trades in an exchange-traded fund (ETF) security in the equity trades statistics.*”;

(b) by replacing, in the second paragraph, the word “shall” with the word “must”.

(2) under the heading “**EXHIBITS:**”:

(a) in Exhibit A:

(i) in table 1:

following: (A) by replacing, in the French text, the heading with the

“Tableau 1 – Opérations sur titres de capitaux propres”;

(B) by deleting the row “T+3”;

(C) by replacing the title of the row “>T+3” with “>T+2”;

(ii) in table 2:

(A) by deleting the row “T+3”;

(B) by replacing the title of the row “>T+3” with “>T+2”.

11. Form 24-101F3 of the Regulation is amended:

(1) by replacing, wherever they occur in the French text of paragraph 10 under the heading “**GENERAL INFORMATION:**”, the words “titres de participation” with the words “titres de capitaux propres”;

(2) under the heading “*INSTRUCTIONS:*”:

(a) by deleting, in the first paragraph, “or 10.2(4)”;

(b) by replacing, in the second paragraph, the word “shall” with the word “must”;

(c) by deleting the last sentence of the third paragraph.

(3) under the heading “**6. SYSTEMS COMPLIANCE:**”:

(a) by replacing Exhibit K with the following:

“Exhibit K – General and security

Provide a high level description of the systems used to perform your services of a matching service utility, including the processes and procedures implemented by you to provide for the security of the systems.”;

(b) by replacing, in the French text of paragraph 1 of Exhibit L, the words “d’essai avec charge élevée” with the words “de simulations de crise”;

(c) by replacing Exhibit M with the following:

“Exhibit M – Business continuity

Provide a brief description of your business continuity and disaster recovery plans that includes, but is not limited to, information regarding the following:

1. Where the primary processing site is located.
2. What the approximate percentage of hardware, software and network redundancy is at the primary site.
3. Any uninterruptible power source (UPS) at the primary site.
4. How frequently market data is stored off-site.
5. Any secondary processing site, the location of any such secondary processing site, and whether all of the matching service utility’s critical business data is accessible through the secondary processing site.
6. The creation, management, and oversight of the plans, including a description of responsibility for the development of the plans and their ongoing review and updating.
7. Escalation procedures, including event identification, impact analysis, and activation of the plans in the event of a disaster or disruption.
8. Procedures for internal and external communications, including the distribution of information internally, to the securities regulatory authority, and, if appropriate, to the public, together with the roles and responsibilities of the matching service utility’s staff for internal and external communications.
9. The scenarios that would trigger the activation of the plans.
10. How frequently the business continuity and disaster recovery plans are tested.
11. Procedures for record keeping in relation to the review and updating of the plans, including the logging of tests and deficiencies.
12. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the matching service utility and the service level to which such systems are to be restored.
13. Any single points of failure faced by the matching service utility.”;

(b) by replacing Exhibit O with the following:

“Exhibit O – Independent systems audit

1. Provide high level information on the qualified party engaged to provide an annual independent systems review and vulnerability assessment.
2. If applicable, provide a copy of the last systems operations audit report.”.

12. Form 24-101F5 of the Regulation is amended, under the heading “*INSTRUCTIONS:*”:

(1) by inserting, after the first paragraph, the following:

“Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics.”;

(2) by replacing, in the second and third paragraphs, the word “shall” with the word “must”;

(3) under the heading “**EXHIBITS:**”:

(a) by replacing, in Exhibit B, the words “systems failures” with the words “systems failures, malfunction, delay or security breach”;

(b) in Exhibit C:

(i) In table 1:

following:

(A) by replacing, in the French text, the heading with the

propos”;
“Tableau 1 – Opérations sur titres de capitaux

(B) by deleting the row “T+3”;

(C) by replacing the title of the row “>T+3” with “>T+2”;

(ii) in table 2:

(A) by deleting the row “T+3”;

(B) by replacing the title of the row “>T+3” with “>T+2”.

13. The Regulation is amended by replacing, wherever it occurs, the word “shall” with the word “must”.

14. This Regulation comes into force on September 5, 2017.