

CSA Notice of Consultation

Draft Regulation 26-101 respecting Information Technology System Integrity

Draft Policy Statement to Regulation 26-101 respecting Information Technology System Integrity

October 1, 2026

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing the following (the **Draft Materials**) for a 120-day comment period¹:

- Draft *Regulation 26-101 respecting Information Technology System Integrity* (the **Draft Regulation**),
- Draft *Policy Statement to Regulation 26-101 respecting Information Technology System Integrity* (the **Draft Policy Statement**),
- Draft consequential amendments to the Source Regulations (as defined hereinafter) (the **Draft Amendments**),
- Draft consequential changes to policy statements to the Source Regulations (the **Draft Changes**), and
- Draft additional amendments to *Regulation 21-101 respecting Marketplace Operation* and proposed related changes to its policy statement (the **Draft Additional Amendments and Changes**²).

¹ The BC Securities Commission (**BCSC**) is not publishing the Draft Materials for comment at this time. Staff of the BCSC anticipate doing so following the British Columbia provincial election.

² These Draft Additional Amendments and Changes are incorporated into the draft *Regulation to amend Regulation 21-101 respecting Marketplace Operation* and changes to the related policy statement.

We are issuing this notice to solicit comments on the Draft Materials. We welcome all comments on this publication. We have also included specific questions for your consideration in Annex A “Consultation Questions for Phase 2” below. The comment period will end on January 29, 2027.

The text of the Draft Materials is published with this notice and is also available on the websites of the following CSA jurisdictions:

www.asc.ca

www.bcsc.bc.ca

www.fcaa.gov.sk.ca

www.fcnb.ca

www.lautorite.qc.ca

<https://mbsecurities.ca>

www.nssc.novascotia.ca

www.osc.ca

Background

Information technology (IT) plays a significant role in supporting Canadian financial markets. IT has enabled a substantial increase in the speed of transaction execution, provided greater market access to a broad range of market participants, and enhanced the efficiency and sophistication of trading and related functions.

Specifically, IT systems allow market infrastructure entities to facilitate, among other things, order entry and routing, trade execution, clearing and settlement of transactions, trade reporting, public dissemination of data, and market surveillance. At the same time, the rapid pace of change in IT and the consequent advent of new technologies may lead to increased risks for all of these operational functions essential to financial markets. These risks will evolve, and some will likely increase as new technologies play a larger role in our capital markets.

By providing a robust regulatory framework, we aim to preserve the stability, efficiency and integrity of Canadian financial markets. This will help avoid the financial losses, erosion of market confidence, and potential market instability that could arise from the disruption of market infrastructure entities' IT systems.

The Draft Regulation consolidates the current IT-related requirements for various types of market infrastructure entities into a single regulation, harmonizes similar wording and provisions, and introduces a few additional obligations for greater consistency across these entities. In our view, these additions do not constitute major changes.

Currently, the following market infrastructure entities are subject to a regulatory framework that includes IT system requirements:

- marketplaces;³
- information processors;
- recognized clearing agencies;
- matching service utilities;
- trade repositories.⁴

These entities are collectively referred to as **MIE(s)** in this notice.

This initiative is designed to establish the foundation for a comprehensive and harmonized framework for IT-related system requirements and oversight of such systems in Canada, through the creation of a single regulation applicable to all MIEs (**Phase 1**).

Similar approaches have been adopted and implemented by international regulators, such as the U.S. Securities and Exchange Commission⁵ and the European Securities and Markets Authority.⁶ The Draft Materials represent an initial step toward greater regulatory alignment between Canadian securities legislation and that of other jurisdictions.

Substance and Purpose

We are creating the Draft Regulation for two reasons:

(1) Consolidation and harmonization of existing IT-related system requirements

MIEs are already subject to IT system requirements and oversight provisions, which are currently spread across the following regulations and rules:

- *Regulation 21-101 respecting Marketplace Operation (Regulation 21-101)*
- *Regulation 24-101 respecting Institutional Trade Matching and Settlement (Regulation 24-101)*
- *Regulation 24-102 respecting Clearing Agency Requirements (Regulation 24-102)*
- Manitoba Securities Commission Rule 91-507 Derivatives: Trade Reporting
- Ontario Securities Commission Rule 91-507 Derivatives: Trade Reporting
- *Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting (Québec)*
- *Multilateral Instrument 96-101 Derivatives: Trade Reporting*

These instruments are collectively referred to as the **Source Regulations** in this notice.

³ Many foreign exchanges and alternative trading systems, including crypto trading platforms, are exempt from IT-related requirements through exemptive relief orders issued by CSA members.

⁴ As defined in the Draft Regulation, “trade repository” means: in Alberta, British Columbia, New Brunswick, Québec and Saskatchewan, a recognized trade repository; in Manitoba and Ontario, a designated trade repository; in Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island and Yukon, a recognized quotation and trade reporting system for derivatives; and in Nova Scotia, a recognized derivatives trade repository.

⁵ See *Regulation Systems Compliance and Integrity* at <https://www.federalregister.gov/documents/2014/12/05/2014-27767/regulation-systems-compliance-and-integrity>

⁶ See Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 at <https://eur-lex.europa.eu/eli/reg/2022/2554/oj/eng>

Having IT system requirements spread across the Source Regulations may present inefficiencies and challenges for MIEs. This fragmentation makes it more difficult to ensure consistent implementation of similar policy objectives and can result in outdated provisions that no longer reflect current international standards and industry practices. Consistently updating the various Source Regulations can be also challenging, particularly when addressing emerging risks and concerns associated with the rapid pace of development of IT and the emergence of new technologies. Since amendments to system requirements have been introduced at different times across the Source Regulations, some inconsistencies in language and interpretation have emerged. Streamlining these requirements is necessary to enhance regulatory coherence and to support more efficient compliance by MIEs.

This initiative aims to eliminate drafting and interpretation inconsistencies across the Source Regulations. Having all IT system requirements consolidated into a single regulation will provide MIEs with clearer and more consistent requirements. That said, we acknowledge that applying uniform IT-related requirements to all MIEs may not be appropriate in all circumstances, particularly when the differences across those requirements are substantive. We have also considered the distinct roles MIEs play within financial markets, in addition to international standards that may reflect these distinct roles. These include the 2012 *Principles for financial market infrastructures* published by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (**PFMIs**). As a result, harmonization would only occur where appropriate.

If adopted, the Draft Regulation will establish a foundation from which the CSA can continue to effectively modernize IT system requirements, and that will allow us to better optimize regulatory approaches to the oversight of MIEs. The CSA will be able to respond more efficiently to future developments by eliminating the current difficulties associated with amending different Source Regulations at different times. Furthermore, the Draft Regulation will increase the clarity and efficiency of IT-related requirements applicable to MIEs by eliminating drafting discrepancies across the Source Regulations. Given the role that MIEs' IT systems play in preserving the integrity and stability of Canadian financial markets, we are of the view that it is appropriate to consolidate the IT-related system requirements in the Source Regulations into one new regulation.

(2) A foundation for future modernization

Once the Draft Regulation comes into effect, we plan to modernize it to better align current IT system requirements with international standards (**Phase 2**). Existing IT system requirements do not completely capture international standards and current best industry practices. We expect Phase 2 to allow the CSA to better address risks associated with, notably:

- third-party risk management;
- concentration risks;
- artificial intelligence;
- tokenization;
- quantum computers; and
- crypto assets.

Phase 2 will also enable the CSA to:

- further harmonize the existing IT system requirements across all MIEs, as appropriate;
- potentially expand the scope of the requirements to include additional market participants; and
- harmonize with international regulations and further align with relevant international standards and guidance.

We believe that implementing the Draft Regulation will provide an effective foundation for the achievement of the Phase 2 objectives outlined above. While our immediate focus remains on Phase 1, we have included a series of consultation questions below relating to Phase 2. Your responses will guide our work to prepare for the next phase, ensuring that input from market participants is considered at the earliest stages of the initiative. These questions are intended to elicit thoughtful feedback and support a collaborative approach to advancing Phase 2, which will facilitate the implementation of an appropriate revised framework.

Draft Amendments and Draft Changes

To support the creation of a new regulation, we would repeal the existing IT-related requirements from the Source Regulations. We would also update the forms and policy statements associated with the Source Regulations by adding cross-references to the Draft Regulation. Additionally, to maintain the status quo regarding outsourcing provisions, we would incorporate cross-references to the Draft Regulation within the applicable Source Regulations as appropriate.

Draft Additional Amendments and Changes

The Draft Additional Amendments and Changes are comprised of the following amendments to Regulation 21-101 and its related Forms, and changes to *Policy Statement to Regulation 21-101 respecting Marketplace Operation (Policy Statement 21-101)*. These amendments and changes would not create any new regulatory requirements and, in some cases, would reduce regulatory burden:

- Section 6.7 of Regulation 21-101 requires an alternative trading system (**ATS**) to notify the regulator, except in Québec, or the securities regulatory authority if at least one of three thresholds is met or exceeded, which may indicate that an ATS has significant market share in a type of security and that it would be more appropriate for the ATS to be regulated as an exchange. Currently, Policy Statement 21-101 clarifies that “a type of security” is considered to refer to a distinctive category of security such as equity securities, debt securities or options. We propose to remove the requirement in section 6.7 because: (i) for equity securities, notification is not needed since the regulator or the securities regulatory authority can use market share information readily available from the Canadian Investment Regulatory Organization (CIRO); and (ii) for debt securities, ATSs are not able to accurately calculate the notification thresholds since the debt market is not centralized and debt is mostly traded over-the-counter. The corresponding guidance in Policy Statement 21-101 would be slightly modified and moved to another section which outlines the criteria used by the regulator or the securities

regulatory authority to consider whether a marketplace is an exchange for purposes of Canadian securities legislation.

- We propose to add guidance to Policy Statement 21-101 setting out conditions under which the regulator or the securities regulatory authority would consider granting exemptive relief to a marketplace from pre-trade transparency requirements for the display of dark orders.⁷
- In both Form 21-101F1 *Information Statement Exchange or Quotation and Trade Reporting System* and Form 21-101F2 *Information Statement Alternative Trading System (Form 21-101F2)*, we propose to remove the requirement in item 1 of paragraph (2)(ii) of Exhibit D. The item, requiring a marketplace to provide the address of all affiliates (i) to which it has outsourced key services or systems or (ii) with which it has a material business relationship, is duplicative as marketplaces are already required to provide the address of any affiliates in Exhibit D, section 1.
- In Form 21-101F4 *Cessation of Operations Report for Alternative Trading System*, we propose to remove Exhibit B, which requires an ATS ceasing operations to list each of the securities that it trades. The requirement is now viewed as being impracticable, as most ATSs would have to list hundreds of securities, and duplicative, as Exhibit I in Form 21-101F2 already requires disclosure of the types of securities traded on the ATS.

Summary of the Draft Regulation

With the creation of the Draft Regulation, we aim to consolidate and harmonize existing IT system requirements currently spread across the various Source Regulations. We do not intend to introduce significant new requirements in Phase 1. However, we have proposed relatively minor changes to improve clarity, ensure greater consistency, and harmonize similar requirements and guidance in the Source Regulations and associated policy statements. We do not expect these changes to have a significant impact on the MIEs. We have also revised the structure and location of certain provisions within the Draft Regulation to improve readability and coherence. For example, the vulnerability assessments and system review provisions were moved closer to the end of the Draft Regulation, compared to their location in the Source Regulations. These adjustments would not change the nature or substance of the obligations. We have set out below a summary of the proposed modifications to existing IT system requirements.

Incorporation of New Definitions

To promote harmonization and enhance clarity, we have incorporated new definitions into the Draft Regulation. These definitions are taken from requirements in the Source Regulations and consequently are not intended to introduce new concepts.

⁷ The proposed guidance reflects conditions in recent decisions granting exemptive relief from the pre-trade transparency requirements in subsection 7.1(1) of Regulation 21-101.

The new terms in the Definitions section include:

(1) *“critical system”*

We define this term as including the essential functions of each MIE (even if those functions are outsourced). For example, the functions include order entry, routing and execution for marketplaces; clearing, settlement and depository functions for recognized clearing agencies; and trade-matching functions for matching service utilities.

While the Source Regulations use various terms to describe the systems relating to an MIE's essential functions, we consider the term “critical” to be more appropriate as it aligns with the terminology used in the PFMLs. In our view the change in language will not narrow the scope of the related requirements applicable to marketplaces, information processors, matching services utilities or trade repositories.

(2) *“critical service”*

Similar to “critical system”, we define “critical service” in connection with an entity's essential functions. In this case, however, the term applies only to a subset of MIEs in the context of outsourcing: marketplaces, recognized clearing agencies and trade repositories (see “specified MIE” below).

(3) *“MIE”*

An MIE includes all market infrastructure entities that are subject to the Draft Regulation – marketplaces, information processors, recognized clearing agencies, matching service utilities and trade repositories.

It is not our intention for the Draft Regulation to apply to marketplaces (exchanges or ATSS, including crypto asset trading platforms) that have been exempted from the existing IT systems requirements in Regulation 21-101.

(4) *“market surveillance system”*

While this is a new definition, it was drawn from subsection 12.4(3) of Regulation 21-101, describing critical systems operated by or on behalf of regulation services providers or certain types of marketplaces that support real-time market surveillance.

(5) *“system integrity event”*

The definition of a system integrity event is based on language in the Source Regulations and refers to material malfunctions, failures, delays and security incidents in critical systems. An MIE that experiences a system integrity event must report it to the regulator, except in Québec, or the securities regulatory authority.

(6) “specified MIE”

A specified MIE means a market infrastructure entity that is a marketplace, a recognized clearing agency, or a trade repository. These entities are subject to more comprehensive IT system requirements⁸ than other MIEs.

System Integrity Requirements for MIEs

The Draft Regulation would establish a regulatory framework for critical and auxiliary systems that closely mirrors the existing provisions in the Source Regulations. As is currently the case, the critical system requirements would apply to all MIEs, while the auxiliary system requirements would apply only to marketplaces and recognized clearing agencies.

To promote consistency in IT-related requirements across all MIEs, the Draft Regulation introduces three minor changes:

- MIEs must develop, maintain and apply systems, controls and procedures that are reasonably designed to identify and mitigate plausible sources of operational risk, including risk to data integrity and data security. This requirement complements the existing provisions under the Source Regulations and provides additional specificity to support effective risk management.
- MIEs must ensure that the operational risk management framework for critical systems is reasonably designed to function effectively. The board must be actively involved in and informed about the MIE’s critical system controls and procedures.
- Trade repositories and matching service utilities would be required to provide timely updates to the regulator, except in Québec, or the securities regulatory authority when a system integrity event occurs.

These three changes are not intended to impose any significant additional burden on MIEs, but rather to enhance clarity and align existing requirements. The first two provisions described above are based on requirements in local and multilateral trade reporting regulations, as well as the PFMIs, and would apply to all MIEs going forward. The third change would extend to matching service utilities and trade repositories an important, but not unduly burdensome, requirement to update regulators if those entities experience a system integrity event. This requirement currently applies to marketplaces, information processors and recognized clearing agencies.

⁸ Requirements relating to pre-operational and material changes to system and testing requirements as well as outsourcing provisions are located in Part 3, Part 4 and Part 6 of the Draft Regulation.

Requirements for Pre-operational and System Changes that are Material

The Draft Regulation would make structural changes to the testing provisions in the Source Regulations. These changes are intended to provide greater clarity by separating the pre-operational and post-operational testing requirements applicable to specified MIEs and putting them in different Parts of the Draft Regulation. Part 3 of the Draft Regulation outlines the obligations specified MIEs must fulfill prior to starting operations. Part 4 then sets out the testing and access requirements applicable before a material system change can be made. Apart from these structural and related drafting changes, the requirements would remain unchanged.

Business Continuity

In Part 5, we consolidate the requirements related to business continuity and harmonize wording from the Source Regulations. The provisions concerning resumption of operations and industry-wide business continuity testing requirements are unchanged, with some minor exceptions. First, a recognized clearing agency or a trade repository would have to develop, maintain, and apply policies and procedures reasonably designed to ensure that its critical system could resume operations within two hours following a disruptive event.

This two-hour recovery timeframe is included in the PFMLs, which are incorporated by reference into Regulation 24-102 and are therefore already a legal requirement for a recognized clearing agency under Canadian securities legislation. For a trade repository, the recovery timeframe is currently set out in the policy statement to the applicable Source Regulation and would be incorporated directly into the Draft Regulation in order to consolidate the location of this timeframe for all MIEs. It is important to note that this requirement pertains to the existence of policies and procedures that support recovery within the specified timeframe, rather than imposing a strict obligation to resume operations within two hours.

In addition, we would extend the requirement to test an MIE's business continuity plan (including its disaster recovery plan) to matching service utilities. This testing requirement currently applies to all the other MIEs. In our view, this change should not impose any new operational requirements on matching service utilities, as we would not consider a business continuity requirement to be effective if it was not tested on a regular basis.

Similarly, we would remove a requirement, currently applicable only to trade repositories, that a business continuity plan must provide for the appropriate exercise of authority. In our view it is not necessary to make this requirement explicit, as a business continuity plan that did not provide for the authority to implement the plan, or that did not clearly assign roles for carrying it out, would be ineffective and therefore not compliant with the requirements of Part 5 of the Draft Regulation.

Outsourcing

The Draft Regulation would incorporate and harmonize the outsourcing provisions taken from the Source Regulations, which are close to but not entirely identical. While the Draft Regulation defines the terms "critical service" and "critical system" for the entities that are subject to these requirements, it is

not our intent to reduce the scope of the current outsourcing provisions to cover only IT-related services or systems. For this reason, we added cross-references to the Draft Regulation's outsourcing requirements into the amended Source Regulations, as appropriate. Given that the definitions of critical system and critical service would only apply in the Draft Regulation, other key outsourcing services or systems⁹ would continue to be covered in the Source Regulations as is the case today. The replacement of the outsourcing provisions in the Source Regulations with the cross-references to the Draft Regulation is intended to facilitate harmonization and avoid the need to amend multiple instruments going forward.

As a consequential amendment arising from this approach, in order to avoid confusion between the cross-reference incorporated in Regulation 24-102 and the outsourcing provisions set out in the Draft Regulation, we would replace the term “critical service or system” currently used for recognized clearing agencies with “key service or system”.

Vulnerability Assessments and System Reviews

Part 7 of the Draft Regulation reorganizes the IT system requirements related to vulnerability testing and system reviews. While the substance of these requirements remains consistent with the Source Regulations, we are proposing two updates:

- Matching service utilities would be required to undergo a vulnerability assessment conducted by a qualified party at least annually. It is important to note that this requirement is already included in existing recognition orders¹⁰ issued by members of the CSA and therefore in practice would not create a new obligation.
- MIEs would have to submit the report resulting from their annual independent system reviews (frequently referred to as “ISRs”) no later than the 60th day following the report's completion. In the Source Regulations the deadline for submitting this report is not consistent. In our view this is an appropriate provision to harmonize in Phase 1.

Books and Records

The Draft Regulation sets out standard books and records provisions currently applicable to all MIEs. The scope of these requirements captures the critical systems of MIEs, the critical services of specified MIEs, and, in the case of marketplaces or recognized clearing agencies, their auxiliary systems. We note that in the Source Regulations, some entities do not have a specified retention period for books and records. We considered whether or not a harmonized, specific retention period should apply to all MIEs but determined that this could amount to a significant change and impose additional costs. We plan to consider this question further in Phase 2.

⁹ Critical system and critical service are a subset of key systems and services, which also include services and systems that are necessary for a specified MIE to operate effectively and in compliance with regulatory requirements and appropriate standards.

¹⁰ See *Décision N° 2018-PDG-0079* issued by Autorité des marchés financiers, available at https://lautorite.qc.ca/fileadmin/lautorite/professionnels/structures-marche/services-appariement/decision_reconnaissance_dtcc_itp.pdf

Alternatives Considered to the Draft Regulation

The alternative to the Draft Materials would be not to proceed with the creation of the Draft Regulation. However, in our view, not proceeding with the consolidation and harmonization of the existing IT system requirements applicable to MIEs would fail to address the risks inherent in the current regulatory framework, where the requirements are spread across multiple Source Regulations, making it difficult to harmonize and effectively respond to emerging developments. This aggravates the risk of technological vulnerabilities in an environment where there is rapid adoption of new technologies which were not considered when the Source Regulations were created and amended. Moreover, we are considering a larger-scale modernization of the systems and outsourcing regulatory framework applicable to MIEs in Phase 2. The creation of a new foundation with the Draft Regulation is the precursor to this initiative.

Unpublished Materials

In developing the Draft Materials we have not relied on any significant unpublished study, report or other written materials.

Local Matters

An annex is being published in any local jurisdiction that is making changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

List of Annexes

This notice contains the following annexes:

Annex A – Consultation Questions for Phase 2

Annex B – Table of Concordance

Authority of the Draft Regulation and Draft Policy Statement

The securities legislation in each of the CSA jurisdictions provides the regulator or the securities regulatory authority with rule-making or regulatory authority in respect of the subject matter of the Draft Regulation.

How to Provide Comments

We welcome your comments on the Draft Materials, and also invite comments on the consultation questions for Phase 2 which can be found in Annex A of this Notice. Please submit your comments on or before January 29, 2027.

Submit your comments here: <https://www.securities-administrators.ca/consultations/>. By using the link, your comments will be submitted to the following CSA members:

Alberta Securities Commission
Autorité des marchés financiers
BC Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission of New Brunswick
Manitoba Securities Commission
Northwest Territories Office of the Superintendent of Securities
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Service NL
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

If Québec is a participating jurisdiction, and you are submitting your comments through the link above, you are also submitting your comments to:

M^e Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour PwC
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax: 514 864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. Comments received will be posted on the websites of each of the Alberta Securities Commission at www.albertasecurities.com, the Autorité des marchés financiers at www.lautorite.qc.ca and the Ontario Securities Commission at www.osc.ca. You should not include personal information directly in comments as the comments will be published and publicly available. It is important that you state on whose behalf you are making the submission.

Questions

Please refer your questions to any of the following CSA staff:

Autorité des marchés financiers

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Annex A

Consultation Questions for Phase 2

We welcome your comments on the consultation questions for Phase 2 listed below. Please provide your comments in writing on or before January 29, 2027.

Harmonization of current requirements

Question 1:

Should we impose different requirements for different types of entities, or have a single set of requirements that applies to all entities? Please explain.

Question 2:

Should distinct requirements be imposed according to the entity's relative importance or function within the market? Please explain.

Scope of entities

Question 3:

Should Phase 2 include registered entities such as registrant firms and investment fund issuers? Please explain.

Question 4:

Should other types of entities be included in Phase 2 to better align with international standards and facilitate harmonized regulatory treatment across entities? For example:

- a) Should Phase 2 include market structure entities other than MIEs, such as benchmark administrators? Please explain.
- b) Should regulation services providers or self-regulatory authorities be brought into Phase 2? Please explain.

Question 5:

What factors should be considered in determining whether an entity should be included in Phase 2?

Outsourcing and third-party risks management

Question 6:

Should the outsourcing provisions be extended beyond specified MIEs and apply to all MIEs? Please explain.

Question 7:

Should the outsourcing provisions include more specific obligations for managing risks related to outsourced technologies, such as AI? This could include governance, due diligence, certification, or reporting on the robustness and reliability of an outsourced technology.

Question 8:

In your view, which aspects of outsourcing (increasingly referred to as “third-party risk management”) should be strengthened? Please explain.

In particular, we invite feedback on the following:

- How should risks associated with the use of third-party AI vendors be managed?
- Should there be requirements for independent certifications or attestations regarding the reliability and security of third-party technology solutions?
- How should supply chain risks, including those arising from fourth- and fifth-party service providers, be addressed within the regulatory framework?

Data governance

Question 9:

In your view, how should we address any issues regarding the use of cloud services (e.g. data storage location and concentration risk) by MIEs?

Cybersecurity

Question 10:

Should Phase 2 introduce specific requirements for risk-based cybersecurity controls, including the continuous monitoring and testing of these controls by MIEs (such as penetration testing and vulnerability assessments, and scenario-based cyber resilience exercises), in line with international standards (e.g., ISO/IEC 27001: 2022 standards, NIST Cybersecurity Framework)?

- a) What types and frequency of cybersecurity testing should be mandated to ensure ongoing resilience against evolving and emerging threats, including those enabled by new technologies?
- b) Should there be specific requirements for independent third-party testing or attestation in connection with cybersecurity, and for reporting material findings to regulators?

Emerging technologies

Question 11:

Should emerging technological developments – such as AI, quantum computing, blockchain and distributed ledger technology (DLT) (e.g. tokenization) be addressed more explicitly? What risks do you see or foresee that could and should be addressed by securities regulation?

Question 12:

Given the increasing use of AI systems in capital markets, should Phase 2 include specific requirements regarding AI risk management consistent with the guidance in CSA Staff Notice and Consultation 11-348 *Applicability of Canadian Securities Laws and the Use of Artificial Intelligence Systems in Capital Markets*?

- a) Should there be minimum standards for AI system oversight and transparency regarding AI-driven decision-making?
- b) Should there be requirements for documenting and reporting to regulators on AI system uses in connection with a critical system or critical service?

Other

Question 13:

What other issues should we consider in Phase 2? Please explain.

Annex B

Table of Concordance

Regulation 26-101 Provisions	Regulation 21-101	Regulation 24-102	Trade Reporting Rules ¹	Regulation 21-101 - Information Processor	Regulation 24-101 - Matching Service Utility
Part 2 – System Integrity Requirements					
Operational risk management framework					
s. 2(1)			s. 21(1)		
s. 2(2)			s. 21(2)		
Requirements for critical systems					
s. 3(a)	s. 12.1(a)	s. 4.6(a)	s. 21(3)(a)	s. 14.5(a)	
s. 3(b)	s. 12.1(b)	s. 4.6(b)	s. 21(3)(b)	s. 14.5(b)	s. 6.5(a)(i) s. 6.5(a)(ii)
System integrity event					
s. 4(1)	s. 12.1(c)	s. 4.6(c)	s. 21(3)(c)	s. 14.5(e)	s. 6.5(c)
s. 4(2)	s. 12.1(c)	s. 4.6(c)		s. 14.5(e)	
s. 4(3)	s. 12.1(c)	s. 4.6(c)	s. 21(3)(c)	s. 14.5(e)	
Recordkeeping for system incidents					
s. 5	s. 12.1(d)	s. 4.6(d)		s. 14.5(f)	s. 6.4(1)
Requirements for auxiliary systems					
s. 6(1)	s. 12.1.1(a)	s. 4.6.1(2)(a)			
s. 6(2)	s. 12.1.1(c)	s. 4.6.1(2)(c)			
s. 6(3)	s. 12.1.1(b)	s. 4.6.1(2)(b)			
s. 6(4)	s. 12.1.1(b)	s. 4.6.1(2)(b)			
Part 3 – Pre-operational Requirements – Specified MIE					
Availability of technology requirements and testing facilities					

¹ Local and multi-jurisdictional trade reporting regulations: Manitoba Securities Commission Rule 91-507 Derivatives: Trade Reporting; Ontario Securities Commission Rule 91-507 Derivatives: Trade Reporting; *Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting* (Québec); and Multilateral Instrument 96-101 *Derivatives: Trade Reporting*.

Regulation 26-101 Provisions	Regulation 21-101	Regulation 24-102	Trade Reporting Rules¹	Regulation 21-101 - Information Processor	Regulation 24-101 - Matching Service Utility
s. 7(1)(a)	s. 12.3(1)(a)	s. 4.8(1)(a)	s. 21(8)(a)		
s. 7(1)(b)	s. 12.3(2)(a)	s. 4.8(2)(a)	s. 21(9)(a)		
s. 7(2)	s. 12.3(1)		s. 21(8)		
s. 7(3)		s. 4.8(1)			
Time period for availability - marketplace					
s. 8(a)	s. 12.3(1)(a)				
s. 8(b)	s. 12.3(2)(a)				
Time period for availability – clearing agency and trade repository					
s. 9		s. 4.8(2)(a)	s. 21(9)(a)		
Confirmation and certification					
s. 10	s. 12.3(3)(b)				
s. 11	s. 12.3(3)(c)	s. 4.8(3)(b)			
Part 4 – Requirements for Changes that are Material					
Availability of technology requirements and testing facilities					
s. 12(1)(a)	s. 12.3(1)(b)	s. 4.8(1)(b)	s. 21(8)(b)		
s. 12(1)(b)	s. 12.3(2)(b)	s. 4.8(2)(b)	s. 21(9)(b)		
s. 12(2)	s. 12.3(1)		s. 21(8)		
s. 12(3)		s. 4.8(1)(b)			
Time period for availability – marketplace					
13(a)	12.3(1)(b)				
13(b)	12.3(2)(b)				
Time period of availability - clearing agency and trade repository					
s. 14		s. 4.8(1)(b) s. 4.8(2)(b)	s. 21(8)(b) s. 21(9)(b)		

Regulation 26-101 Provisions	Regulation 21-101	Regulation 24-102	Trade Reporting Rules¹	Regulation 21-101 - Information Processor	Regulation 24-101 - Matching Service Utility
Compliance and certification					
s. 15(1)	s.12.3(3.1)(b)	s. 4.8(4)(b)			
s. 15(2)					
Emergency exception					
s. 16(1)(a)	s. 12.3(4)	s. 4.8(5)	s. 21(11)(a)		
s. 16(1)(b)	s. 12.3(4)(a)	s. 4.8(5)(a)	s. 21(11)(b)		
s. 16(1)(c)	s. 12.3(4)(b)	s. 4.8(5)(b)	s. 21(11)(c)		
s. 16(2)	s. 12.3.(4)(b)		s. 21(11)(c)		
s. 16(3)		s. 4.8(5)(b)			
Uniform test symbols					
s. 17	s. 12.3.1				
Part 5 – Business Continuity					
Business continuity planning					
s. 18(1)	s.12.4(1)(a)	s. 4.9(a)	s. 21(4)	s. 14.6(a)	s. 6.5(a)(v)
s. 18(2)	s.12.4(1)(b)	s. 4.9(b)	s. 21(5)	s. 14.6(b)	
Resumption of operations					
s. 19(1)					
s. 19(1)(a)				s. 14(6)(c)	
s. 19(1)(b)	s. 12.4(2)				
s. 19(1)(c)		s. 3.1: PFMI Principle 17 – Key Consideration 6			
s. 19(2)					
s. 19(2)(a)	s. 12.4(3)				
s. 19(2)(b)	s. 12.4(4)				
Industry-wide business continuity tests					

Regulation 26-101 Provisions	Regulation 21-101	Regulation 24-102	Trade Reporting Rules ¹	Regulation 21-101 - Information Processor	Regulation 24-101 - Matching Service Utility
s. 20	s. 12.4.1	s. 12.4.1 of Regulation 21-101		s. 12.4.1	
Part 6 – Outsourcing					
Outsourcing					
s. 21(a)	s. 5.12(a)	s. 4.10(a)	s. 24(a)		
s. 21(b)	s. 5.12(b)	s. 4.10(b)	s. 24(b)		
s. 21(c)	s. 5.12(c)	s. 4.10(c)	s. 24(c)		
s. 21(d)	s. 5.12(d)	s. 4.10(d)	s. 24(d)		
s. 21(e)	s. 5.12(e)	s. 4.10(e)	s. 24(e)		
s. 21(f)	s. 5.12(f)	s. 4.10(g)	s. 24(g)		
s. 21(g)		s. 4.10(f)	s. 24(f)		
s. 21(h)	s. 5.12(g)	s. 4.10(h)	s. 24(h)		
s. 21(i)		s. 4.10(h)			
s. 21(j)	s. 5.12(h)	s. 4.10(i)	s. 24(i)		
Part 7 - Vulnerability Testing and System Reviews					
Vulnerability assessments					
s. 22	s. 12.1.2	s. 4.7(1)(b)		s. 14.5.1	s. 6.5(a)(iv)
System reviews					
s. 23(1)	s. 12.2(1)	s. 4.7(1)(a)	s. 21(6)	s. 14.5(c)	s. 6.5(b)
s. 23(2)	s. 12.2(1)	s. 4.7(1)(a)		s. 14.5(c)	
s. 23(3)	s. 12.2(2)	s. 4.7(2)	s. 21(7)	s. 14.5(d)	
Part 8 – Books and Records					
s. 24(1)	s. 11.1	s. 5.1(1)	s. 18 relates to derivatives data	s. 14.4(3)	s. 6.4(2)
s. 24(2)	S 11.3(1)	s. 5.1(2)	s. 18 relates to derivatives data		