

## CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 21-310 INFORMATION PROCESSOR FOR CORPORATE DEBT SECURITIES

The purpose of this notice is to inform the public that CanPX Inc. (CanPX) will act as an information processor for corporate debt securities under National Instrument 21-101 *Marketplace Operation* (NI 21-101) for a period of five years from July 1, 2009 to June 30, 2014.

### 1. Regulatory Requirements

NI 21-101 provides for the operation and regulation of an information processor. An information processor is defined as a person or company that receives and provides information under NI 21-101 and has filed Form 21-101F5 *Initial Operation Report for Information Processor* (Form 21-101F5).

Part 8 of NI 21-101 requires that marketplaces that display orders of corporate debt securities provide information regarding orders for designated corporate debt securities to an information processor. Marketplaces, inter-dealer bond brokers (IDBs) and dealers are also required to provide trade information for corporate debt securities to an information processor, if one is in place, as required by the information processor.<sup>1</sup>

The obligations of an information processor are set out in Part 14 of NI 21-101. They include:

- a requirement to provide prompt and accurate order and trade information and not unreasonably restrict fair access to such information;
- a requirement that the information processor provides timely, accurate, reliable and fair collection, processing, distribution and publication of information for orders for, and trades in, securities;
- an obligation to maintain reasonable books and records; and
- certain system requirements, including an annual independent systems review.

In addition, an information processor is required to establish, in a timely manner, an electronic connection to a marketplace, IDB or dealer that is required to provide it with information. It is also required to enter into an agreement with each marketplace, IDB or dealer required to provide it with information. The agreement must set out that the entities will provide the information processor information in accordance with Part 8 of NI 21-101 and that they will comply with any other reasonable requirements set by the information processor.

### 2. Status of the Information Processor for Corporate Debt Securities and Process to Date

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<sup>1</sup> For government debt securities, the requirements for marketplaces and IDBs to provide order and trade information have been postponed until January 1, 2012.

CanPX has been an information processor for corporate debt securities since 2003. Its initial term expired on December 31, 2006. In July 2006, as we considered extending CanPX's term, we invited other entities interested in being an information processor for corporate debt securities to file Form 21-101F5, and published a separate notice for this purpose.<sup>2</sup> Bourse de Montréal Inc. (MX), CDS Inc., TSX Inc. in conjunction with CandDeal.ca Inc. (CanDeal), and Gmarkets Inc. (Gmarkets) each filed a Form 21-101F5 to act as an information processor for corporate debt securities.<sup>3</sup> We published a summary of the filings received in April 2007.<sup>4</sup>

We have since extended CanPX's status as an information processor for corporate debt securities to give us time to review the filings and to work through the issues, and have informed the public of the extensions in a number of staff notices.<sup>5</sup> In CSA Staff Notice 21-308, we notified the public that CanPX informed us that it was discussing the possibility of a partnership with other participants in the fixed income market, and that such partnership could result in a revised application for an information processor for corporate debt securities. We advised existing applicants for the corporate debt information processor that they may also revise and update their applications, and to submit any revised filings by January 31, 2009. A number of applicants, including CanPX, provided updates to their original filings.

### **3. Factors and Criteria Considered in the Review of Form 21-101F5**

Section 16.2 of Companion Policy 21-101 to National Instrument 21-101 Marketplace Operation (21-101CP) states that the CSA will review Form 21-101F5 to determine whether it is contrary to the public interest for the filer to act as an information processor, and also describes the factors used when evaluating the filings received. These factors, which we also communicated in CSA Notice 21-304, include: the performance capabilities, standards and procedures for the collection, processing, distribution and publication of order and trade information; whether all marketplaces may obtain access to the information processor on fair and reasonable terms; whether the entity applying for the role of an information processor has sufficient financial resources for the role; the qualification of its personnel; the existence of another entity performing the role of an information processor; and the independent systems review prepared as required by subsection 14.5(b) of NI 21-101.

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<sup>2</sup> CSA Notice 21-304 Request for Filing of Form 21-101F5 Initial Operation Report for Information Processor by Interested Information Processors (CSA Notice 21-304), published in Ontario on July 14, 2006 at (2006) 29 OSCB 5757.

<sup>3</sup> CanPX, MX, CDS and TSX Inc. (without CanDeal) also applied to be an information processor for exchange-traded securities.

<sup>4</sup> CSA Staff Notice 21-306 Notice of Filing of Forms 21-101F5 Initial Operation Report for Information Processor (CSA Staff Notice 21-306), published in Ontario on April 20, 2007 at (2007) 30 OSCB (Supp-3).

<sup>5</sup> CSA Staff Notice 21-305 Extension of Approval of Information Processor for Corporate Fixed Income Securities, published in Ontario at (2006) 29 OSCB 8364; CSA Staff Notice 21-307 Extension of Approval of Information Processor for Corporate Fixed Income Securities published in Ontario at (2007) 30 OSCB 9222; and CSA Staff Notice 21-308 Update on Applications to Become an Information Processor (CSA Staff Notice 21-308), published in Ontario at (2008) 31 OSCB 11533.

In CSA Staff Notice 21-306, we identified the criteria we would use to evaluate applications to be an information processor as follows: financial viability; governance requirements; the existence of processes to manage inherent conflicts of interest; system requirements; a commitment to receiving and disseminating data in order to meet the transparency requirements set out in NI 21-101; a competitive fee structure; and, where revenue is shared with contributors of data, a fair method of revenue allocation.

#### **4. Review of CanPX Revised Form 21-101F5**

As indicated above, since the filing of Form 21-101F5 by CanPX published in summary on April 2007, CanPX revised its proposal. The changes were in the following areas:

- CanPX will establish an Advisory Committee with representation from fixed income industry participants whose mandate will include providing CanPX with views and recommendations on issues of concern to data contributors and data purchasers; this Committee will also be included as part of the process for designating corporate debt securities<sup>6</sup>; and
- CanPX will replace its existing technical facilitator, Reuters Canada Limited with CanDeal.

A summary of the revised proposal, prepared based on information provided by CanPX, is included at Appendix A of this notice.

#### **5. CSA Conclusion**

##### *a. CanPX as an information processor for corporate debt securities*

We believe that CanPX's revised proposal meets our criteria for evaluation of a potential information processor. The implementation of an Advisory Committee, with representation from contributors and purchasers of data, would help ensure that all stakeholders have the opportunity to provide their views. In addition, it ensures that issues of concern will be raised through the Advisory Committee and properly considered by CanPX. As well, CanPX has a model for sharing revenue with its shareholders that are also contributors of data and has agreed in its undertakings to review this model to compensate all contributors of corporate bond data, regardless of whether they are shareholders.<sup>7</sup>

In addition, we are of the view that the participation of industry participants such as dealers and IDBs in the governance of CanPX helps promote industry input in decisions regarding transparency in the fixed income markets. We acknowledge, however, that there are inherent conflicts of interest associated with the industry participants' involvement in transparency decisions that may potentially impact their business. We believe that such conflicts, real or perceived, should be properly managed and note the undertakings that have been provided by CanPX to establish proper policies and

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<sup>6</sup> For a description of the current list of designated corporate bonds, the selection criteria and the process for their selection, see <http://www.canpx.ca/selectioncriteria.jsp>.

<sup>7</sup> Currently, no marketplaces meet the existing threshold to contribute data to CanPX.

procedures in this regard. In addition, we note that in the course of conducting our regulatory oversight of CanPX, the effectiveness of these policies and procedures will be examined.

Consequently, based on our review of the updated Form 21-101F5 filed by CanPX and the undertakings provided by CanPX (attached at Appendix B), we believe that it is not contrary to the public interest for CanPX to continue to be an information processor for corporate debt securities, for a period of five years beginning July 1, 2009 and ending June 30, 2014.

As an information processor, CanPX is designated as a market participant under the *Securities Act* (Ontario) and it was recognized as an information processor under the *Securities Act* (Québec).

*b. Obligations of the marketplaces, IDBs and dealers*

We remind the marketplaces, IDBs and dealers of the requirements in Part 8 of NI 21-101 to provide their data to CanPX, as an information processor, as required by CanPX and in accordance with the requirements set out in Part 10 of 21-101CP. In order to comply with this requirement, the marketplaces, IDBs and dealers required to report the corporate debt information must work with CanPX and CanDeal, as its technical facilitator, to establish the necessary connections in a timely manner.

**6. Questions**

Questions may be referred to:

Ruxandra Smith  
Ontario Securities Commission  
(416) 593-2317

Tracey Stern  
Ontario Securities Commission  
(416) 593-8167

Jonathan Sylvestre  
Ontario Securities Commission  
(416) 593-2378

Paul Redman  
Ontario Securities Commission  
(416) 593-2396

Lorenz Berner  
Alberta Securities Commission  
(403) 355-3889

Serge Boisvert  
Autorité des marchés financiers  
(514) 395-0337 ext. 4358

Elaine Lanouette  
Autorité des marchés financiers  
(514) 395-0337 ext. 4356

Anne Hamilton  
British Columbia Securities Commission  
(604) 899-6716

Doug Brown  
Manitoba Securities Commission  
(204) 945-0605

## APPENDIX A

### SUMMARY OF CANPX'S PROPOSAL FOR AN INFORMATION PROCESSOR FOR CORPORATE DEBT SECURITIES

#### 1. Corporate Governance

Overall governance responsibilities for CanPX rest with the CanPX board of directors. Moreover, CanPX's technical facilitator, under the oversight of the CanPX board, is required to adopt policies and procedures to permit CanPX to comply with the requirements of NI 21-101. Additionally, CanPX maintains an Operating Committee comprised of a subset of CanPX board members to address the day-to-day operations of CanPX including contract negotiations with vendors, capital expenditures, financial statement preparations; etc. CanPX also currently utilizes a Corporate Bond Working Group and is in the early stages of developing an Advisory Committee as part of its governance structure. An overview of these two groups is provided below.

##### *a. Corporate Bond Working Group*

The mandate of the Corporate Bond Working Group is to regularly review, and on a quarterly basis recommend modifications to, CanPX's designated list of corporate bond securities to ensure that the list continually meets the established criteria as documented on the CanPX website: <http://www.canpx.ca/selectioncriteria.jsp>. In addition, at the direction of the CanPX board of directors, the working group has succeeded in expanding the level of market transparency by gradually increasing over time the number of designated corporate bond securities.

The working group is comprised of fixed-income professionals from IIROC member dealers who sit on the Investment Industry Association of Canada (IIAC) Debt Markets Committee.

##### *b. Advisory Committee*

CanPX has initialized the process of finding suitable representatives to sit on the planned Advisory Committee. The final composition of the Committee is expected to include a cross-section of fixed income industry professionals from the buy-side and sell-side (to represent the views of data purchasers and suppliers) as well as marketplaces, data vendors, and other possible stakeholder representatives. It is expected that, in general, the mandate of the Committee will be to bring to CanPX's attention issues of concern to Data Contributors as well as Data Purchasers/Vendors, and to recommend necessary corrective action. Though CanPX understands that it is acting as an information processor for corporate debt securities, and that the transparency requirements set out in Part 8 of NI 21-101 currently apply only to those debt securities, the Advisory Committee would be of greatest value to CanPX and overall market transparency if the Committee were to include in its scope a review of information related to government debt securities. It is

anticipated that the Advisory Committee will be included as part of the existing process the designation of corporate bonds, as well as in developing the necessary criteria for entities required to provide data into CanPX. The Advisory Committee would report directly to the CanPX board of directors, and, as required, contact the Director of the Market Regulation Branch of the Ontario Securities Commission and the Directrice de la supervision des Organismes d'autoreglementation (OAR) at the AMF with any concerns that it may have regarding the governance or operations of the information processor.

## **2. Systems and Operations**

### *a. Sources of data*

Two groups of participants currently supply securities information to CanPX for collection, processing, distribution or publication: 12 investment dealers, that provide CanPX with information related to corporate debt securities, in accordance with the requirements set out in Part 8 of NI 21-101 and Part 10 of the Companion Policy 21-101CP (the Consolidated Data); and 3 inter-dealer brokers (IDBs), which provide CanPX information for government fixed income securities (the Supplementary Data). All participants actively participate in domestic fixed income markets.

Investment dealer participants are all members in good standing with the Investment Industry Regulatory Organization of Canada (IIROC). IIROC membership ensures that a high standard has been met by these dealers in areas such as capital requirements, internal compliance and business continuity planning. Investment dealer participants are also active market-makers in short-term and long-term debt securities and are designated as either Primary Dealers of Government of Canada treasury bills or Primary Dealers of Canada bonds by the Bank of Canada. Investment dealer participants are also represented on the IIAC Debt Markets Committee.

Considerations will be made by the CanPX board on a case by case basis to ensure that all new sources of data meet certain minimum requirements in such areas as:

- Experience with data collection and management
- Ability and willingness to manage any potential conflicts with other CanPX participants
- Systems reliability/business continuity
- Physical and logical security

### *b. Means of access to the system*

CanDeal has been selected as CanPX's new technical facilitator and marketing agent/wholesale distributor. CanDeal will make the CanPX Consolidated and Supplementary Data available through a variety of distribution channels. Specifically, CanPX data will be available through: (a) a fully described, logical, record-based real-time broadcast feed; and in the future, (b) an internet protocol, FTP, near real-time mechanism to ensure broadest possible market reach.

CanDeal will wholesale data through its distributors that are connected with all Canadian telecommunications providers as well as extranet providers such as Radianz, TNS, SPTI, Savvis, Global Alliance and Xasax.

CanDeal is well positioned in the market data supply chain to ensure the broadest possible reach for the CanPX Consolidated and Supplementary Data.

Currently, CanPX provides free daily quotes for yields on Canadian benchmark bonds on its website. Other information such as list of current data contributors and list of designated corporate bonds is also publicly available on the CanPX website: [www.CanPX.ca](http://www.CanPX.ca). Additional content is expected to be made available on CanPX website after it transitions to its new technical facilitator.

It is expected that under the transition to CanPX's new technical facilitator, there will be little or no change in existing connectivity methods or costs for current contributors to the Consolidated Data. A secure private network to receive trade files from the dealer community is already in place at CanDeal and the existing CanPX trade file format will be duplicated to ensure a seamless transition to the new technical facilitator. CanPX and its technical facilitator will endeavor to work with new data contributors to establish a preferred connectivity method.

*c. Procedures governing entry and display of quotations and trades in the system including collection, processing, distributing, publishing, including data validation processes*

CanPX's technical facilitator is required to ensure that systems are in place to ensure the integrity of the data reported to and disseminated by CanPX. As part of their current data management business, CanDeal maintains procedures designed to ensure data integrity. Filters are utilized to reject bad data such as negative values, blank values, invalid CUSIP, missing values, etc. Once data passes through these filters, a proprietary algorithm consolidates price and yield sources into a Best Bid/Best Offer. Additional filters are then applied to ensure the final consolidated price/yield is an accurate indication of where the marketplace is for each security. CanDeal's customer service desk monitors composite data as well as individual dealer contributions to ensure timeliness and accuracy of the prices.

To ensure the timeliness and accuracy of the information received and disseminated by the system, CanPX requires that its technical facilitator provide a weekly report to the CanPX secretariat that lists all corporate trades contributed into the system that were delayed more than 1 hour. The report also includes details on amended trades. The report includes the necessary raw data from which the CanPX secretariat can perform the necessary analysis to detect reoccurring material failures on the part of data contributors. Any issues identified are brought to the attention of the CanPX Operating Committee. When necessary, contributors may be contacted for further details surrounding the delayed reporting. Additionally, CanPX maintains a log of services outages experienced at the technical facilitator and addresses issues or areas of concern with the facilitator.

Similar procedures are expected to be followed in CanPX's transition to its new facilitator.

Additionally, IIROC staff also receives the weekly report of delayed trades identified above for use in conjunction with any business conduct compliance examination they may conduct at IIROC member firms who are also CanPX corporate bond data contributors.

*d. Data storage*

The CanPX technical facilitator is expected to maintain historical data records on all transactions for each of the IDB source feeds, investment dealer FTP feeds, and the CanPX Consolidated Data. Each item and their associated fields will be recorded on a tick by tick basis to the CanPX Storage.

*e. The hours of operation of the system.*

CanDeal will make CanPX data available from **07:30 to 19:00** (Eastern Time) on regular close Canadian Bond trading days and from **07:30** to the relevant appropriate industry close time on early close Canadian Bond trading days.

*f. Description of the training provided to users of the system and any materials provided to the users*

Training and materials would include:

- Inbound feed specification documentation and examples;
- Outbound feed specification documentation and examples;
- Generic language written in plain English describing the content and context of the provided data from the information processor translated into appropriate global languages, including French;
- Support time as required to parties contributing information to the information processor;
- Support time as required to parties receiving information from the information processor;
- As appropriate, online documentation and training materials to help explain the content of the data;
- Educational materials for the investing public and subscriber base.

### **3. Fees and Revenue Sharing**

CanPX currently distributes the Consolidated Data (as well as the Supplementary Data) to subscribers through two vendors. The current subscription price for the Consolidated Data is \$25 per month. An additional charge is applied for subscribers also wishing to receive the Supplementary Data. In addition, vendors may charge subscribers with a connectivity fee. It is not expected that subscription costs for the Consolidated Data will vary to a great degree following CanPX's transition to its new technical facilitator.



CanPX has a revenue sharing model in place with its marketplace participant shareholders. These shareholders are also contributors of the CanPX data. Additionally, provisions in the CanPX formation documents permit new contributors, such as Alternative Trading Systems, to become shareholders as well. Revenue-sharing is as follows: CanPX would allocate “Net Corporation Sales Revenue”, which is the excess of revenue over expenses, calculated as between its shareholders based on their relative trading shares in “Total Market Issues” (being “Designated Issues” plus “Corporate Bonds”) through a two-step process. CanPX will determine the total trading volume in “Total Market Issues” and then identify the percentage of such volume attributable to each of three separate “markets”, being the “IDB Market”, the “Corporate Bond Market” and the “ATS Market”.

No methodology currently exists to allocate the Consolidated Data revenues to the contributors to the Consolidated Data irrespective of the contributors’ shareholder status. CanPX understands the need to have such a model in place and will look at developing an equitable framework for all contributors to the Consolidated Data regardless of their shareholder status. CanPX is of the view that an acceptable revenue model must also take into consideration the capital contributions already provided by existing shareholders.

**4. Marketplaces, Dealers or Other Parties for which the Information Processor is Acting or for which It Proposes to Act as an Information Processor, and a Description of the Function(s) which the Information Processor Performs or Proposes to Perform**

Since May 2004, marketplaces and dealers that have achieved a market share of 0.5% of total corporate bond trading have been required to provide trade details on designated corporate bond debt instruments to CanPX within one hour of the trade, subject to volume caps of \$2 million for investment grade corporate debt securities and \$200,000 for non-investment grade corporate debt securities. CanPX has submitted Form 21-101F5 to the Canadian Securities Administrators for the opportunity to continue to act as the information processor for dealers or marketplaces that achieves the 0.5% threshold for corporate bond trading.

The following twelve investment dealers, who collectively represent the vast majority of bond trading in Canada, currently contribute corporate trade information into CanPX for the Consolidated Data:

1. BMO Nesbitt Burns Inc.
2. Casgrain & Company Limited
3. CIBC World Markets Inc.
4. Desjardins Securities Inc.
5. Laurentian Bank Securities
6. National Bank Financial
7. HSBC (Canada) Securities

8. Merrill Lynch Canada Inc.
9. Canaccord Capital Corporation
10. RBC Capital Markets Inc.
11. Scotia Capital Inc.
12. TD Securities Inc.

The following data is transmitted by contributors into CanPX:

- Issuer
- Security type
- Class
- Series
- Type of counterparty
- Coupon
- Maturity
- Price
- Time of the trade
- Volume

The CanPX system also consolidates real-time and traded prices for Canadian fixed income and money market products, utilizing electronic feeds from Canadian IDBs. Securities currently covered in the Supplementary Data include Government of Canada treasury bills and bonds and provincial bonds. CanPX formation documents also permit alternative trading systems (ATSS) to contribute feeds into CanPX and become shareholders of CanPX.

The following three IDBs contribute to the Supplementary Data:

1. Freedom International Brokerage Company
2. Shorcan Brokers Limited
3. Tullet Prebon Canada Limited

Trade data from CanPX contributors (both the Consolidated and Supplementary Data) is aggregated by CanPX's technical facilitator and made available to market participants and investors through data vendors contracted by CanPX.

In 2008, the CanPX board of directors elected to pursue a new initiative to make CanPX part of a more robust transparency framework by having CanPX offered as part of a broader package of fixed-income market data.

CanPX has selected CanDeal as the optimal partner for this initiative. CanDeal will take on the role of CanPX's new technical facilitator and marketing agent/wholesale distributor as part of a signed agreement, and subject to CanPX continuing to act as an information processor. The CanPX board of directors will retain responsibility for the governance of CanPX.

## **5. Selection of Securities Reported to the Information Processor and Services Provided by the Information Processor**

### *a. Corporate Bonds (Consolidated Data – as required under NI 21-101)*

Currently, trade data for designated corporate bonds is transmitted by participating investment dealers (who comprise the vast majority of bond trading Canada) within one hour of the trade. Trade publication takes place at hourly intervals. The list of corporate bonds for which information is collected is updated on a quarterly basis following the selection process summarized below. CanPX has succeeded in gradually increasing the size of the corporate bond list over time – the current list is represented by approximately 100 corporate securities as compared to fewer than 25 when CanPX first began reporting corporate bond trade information. A recent list of corporate bonds for which trade information is collected and disseminated through CanPX is available at [www.CanPX.ca](http://www.CanPX.ca).

The current selection criteria with respect to corporate bond securities include: trading volumes, whether bonds are included in domestic Canadian corporate bond indices and issue size (with a minimum issue size of Cdn \$250 million). Other factors are considered to ensure that the list of corporate bonds includes bonds:

- issued by issuers among the major industrial groups of issuers;
- that are highly liquid (relative to comparables);
- that represent a majority of trade flow within the corporate bond markets;
- of short-term maturities, mid-term maturities and long-term bonds; and
- from each industry classification (with at least two from each classification).

The list of corporate bonds includes private sector issuers that are represented in a major corporate bond index and are relatively well-known credits to retail investors.

The following procedure is currently observed:

1. The list of corporate securities is reviewed quarterly by the CanPX Corporate Bond Working Group.
2. New issues are added to, and issues will be removed, from the list, according to the criteria above.
3. The list of corporate bonds should be increased over time, subject to the practical constraints of obtaining enough liquidity or updates to report.
4. The proposed revised list is circulated to the CanPX board for approval.
5. Upon CanPX board approval, the final list will then be sent to the technical facilitator for implementation.
6. The corporate bond list is made publicly available on the CanPX website.

### *b. Government of Canada treasury bills and bonds (part of Supplementary Data)*

Bid/offer prices, yields and trades for government of Canada Treasury Bills and Bonds transacted through the IDB market are collected into CanPX and disseminated via CanPX

vendors. Bids, offers and trade prices are published in real-time along with accompanying fields for Bid/Ask size, yield and trade volume.

*c. Provincial government bonds (part of Supplementary Data)*

Bid/offer prices, yields and trades for provincial bonds transacted through the IDB market are collected into CanPX and disseminated via CanPX vendors. Bids, offers and trade prices are published in real-time along with accompanying fields for Bid/Ask size, yield and trade volume

## APPENDIX B

### UNDERTAKINGS PROVIDED BY CANPX

**In connection with the updated Form 21-101F5 (F5) filed by CanPX Inc. (CanPX) on February 6, 2009 and revised on March 18, 2009 and its role as the information processor for corporate debt securities, CanPX undertakes the following:**

#### **1. Changes to Form 21-101F5**

- a. As required by section 14.2 of National Instrument 21-101 *Marketplace Operation* (NI 21-101), CanPX will file with the CSA amendments to the information provided in Form 21-101F5. The significant changes referred to in section 14.2(1) of NI 21-101 will be reviewed and approved by CSA staff prior to their implementation. These significant changes include the following:
- changes to the governance of CanPX, including the structure of the Advisory Committee referred to in paragraph 2b below,
  - significant changes to the fees charged for corporate debt information distributed as the IP,
  - changes to the fee structure and fee / revenue sharing model related to the services provided as the IP,
  - changes to the data products offered as the IP,
  - changes to the threshold for reporting trades in corporate debt securities,
  - removal of marketplaces, dealers or inter-dealer bond brokers required to report trade data regarding corporate debt securities,
  - changes to the selection criteria for the corporate debt securities reported to CanPX,
  - any reduction in the number of corporate debt securities reported to CanPX,
  - significant changes to the systems, technology or technology provider used by CanPX, including those affecting capacity, or
  - changes affecting the independence of the IP from the contributors of corporate debt securities information (Data Contributors) or the business activities of its technology provider.

#### **2. Governance**

- a. CanPX's Board of Directors will meet at regular times, and no less than quarterly.
- b. CanPX will establish an Advisory Committee that will include representation from Data Contributors, and from subscribers and vendors (Data Purchasers) by October 31, 2009. The Advisory Committee's mandate will include that the committee will provide CanPX with views and recommendations on issues of concern to the committee members, including issues related to: the fee structure or fees charged by CanPX as the IP; the method of revenue allocation between the IP, the Data Contributors and the technology provider; the quality and timeliness of data provided

by the information processor; new products or changes to existing products offered by the IP; and any conflict of interest matters. The IP will consider the views and recommendations of the Advisory Committee and, where it rejects such views, will inform the committee of the reasons and keep adequate record of all discussions and decisions.

- c. CanPX will notify CSA staff of the composition, and any changes to the composition, of the Advisory Committee.
- d. The mandate of the Advisory Committee will make reference to the ability of the committee to contact the Director of the Market Regulation Branch of the Ontario Securities Commission and the Director, SRO Oversight at the Autorité des marchés financiers with any concerns that it may have regarding the governance or operations of the IP.
- e. The Advisory Committee will maintain minutes of its meetings and these minutes will reflect the views and recommendations provided to CanPX's management; the minutes will be made available, upon request, to CSA staff.

### **3. Conflicts of Interest**

- a. By July 31, 2009, CanPX will establish policies and procedures to address the conflicts of interest related to the business activities of its board members.
- b. By July 31, 2009, CanPX will establish policies and procedures to address the potential conflicts of interest that arise due to the fact that its technology provider is also a marketplace and a distributor of data.
- c. CanPX will provide the policies and procedures described in paragraphs 3a and 3b, and any subsequent changes to those policies and procedures, to CSA staff for review and approval.

### **4. IP Products**

- a. CanPX will limit the products distributed as the IP to a consolidated feed (the Consolidated Data Product) that displays the information related to corporate debt securities provided to it in accordance with the requirements set out in Part 8 of NI 21-101 and Part 10 of the Companion Policy 21-101CP. CanPX will display this information no later than one hour from the time of the trade.
- b. CanPX will not distribute, as the IP, any additional products using the data provided to it under Part 8 of NI 21-101 unless it obtains prior approval from CSA staff.
- c. If CanPX intends to create and distribute, other than as the IP, any products using the data provided to it under Part 8 of NI 21-101:

- i. the data required to be provided to the IP by Data Contributors will not be used for such other products without the permission of the Data Contributors; and
- ii. the additional products will be made available for purchase separately from, and will not be bundled with, the Consolidated Data Product and any other products approved under paragraph 4b.

**5. Data reported to and disseminated by CanPX**

- a. By October 31, 2009, CanPX will establish and document:
  - i. policies and procedures to verify the timeliness and accuracy of information received and disseminated by the IP; and
  - ii. processes to resolve on a timely basis any data integrity issues identified.
- b. CanPX will provide the policies and procedures described in paragraph 5a, and any further changes to those policies and procedures, to CSA staff for review and approval.
- c. CanPX will monitor the timeliness and accuracy of information received by and disseminated by the IP on an ongoing basis and take adequate measures to resolve any data integrity issues on a timely basis. CanPX will report to its Board of Directors within 30 days of the end of each calendar quarter on the timeliness and accuracy of the information received by and disseminated by the IP, along with significant data integrity issues and the measures to address them. This report will be provided to CSA staff within 15 days of providing it to the Board.
- d. By October 31, 2009, CanPX will complete an assessment of the adequacy of the current process to randomize the corporate bond data displayed in accordance with the requirements of NI 21-101. Immediately upon completion, CanPX will report the results of the assessment, as well as its action plan to address any identified issues, to CSA staff.
- e. CanPX will assess, on an annual basis, the continuing adequacy of the existing threshold for reporting of corporate debt securities and of the parties that qualify as Data Contributors and will report the results of the assessment to CSA staff. This assessment will be included as part of the self-assessment described in paragraph 7a below.
- f. Within 90 days of the end of CanPX's fiscal year, CanPX will provide to CSA staff its plan to increase the number of corporate debt securities for which trade information will be reported to and disseminated by the IP on an annual basis.

## **6. Resources**

- a. CanPX will maintain sufficient financial resources to ensure its financial viability.
- b. CanPX will provide to CSA staff its audited financial statements, along with the report signed by an independent auditor within 90 days of the end of each fiscal year.
- c. CanPX will ensure that it has an adequate number of staff dedicated to its systems and operations to ensure the proper performance of its functions, including staff directly responsible for monitoring of the corporate debt data reported to it in accordance with the requirements of NI 21-101.

## **7. Self-assessment**

- a. In addition to arranging from an annual independent system review referred to in section 14.5 of NI 21-101, CanPX will conduct an annual self-assessment of its compliance with subsections 14.4(2), (4) and (5) of NI 21-101 and with its performance with respect to the undertakings provided to the CSA. A report on the self-assessment will be provided to CanPX's Advisory Committee promptly upon its completion. CanPX will ask the Advisory Committee to review the report and provide its views in writing. The report and the views of the Advisory Committee will be provided to CSA staff within 90 days of the end of CanPX's fiscal year.

## **8. Agreements with Data Contributors**

- a. CanPX will ensure that all Data Contributors are given access to CanPX on fair and reasonable terms.
- b. New standard agreements or contracts to be entered into between CanPX and Data Contributors in connection with the IP services will be provided to CSA staff for review and approval prior to their execution. In addition, any proposed material changes to these standard agreements or contracts will be provided to CSA staff for review and approval.

## **9. Fees / Fee structure / Revenue sharing**

- a. CanPX will make available, on its website, the fee schedule for the Consolidated Data Product, and any additional products subsequently approved by CSA staff to be distributed by CanPX as an information processor.
- b. CanPX will revise its revenue sharing model to allow for compensation to all the contributors of corporate debt data regardless of whether or not they are shareholders by December 31, 2009.



## **10. Non-exclusivity**

- a. CanPX acknowledges that the selection as an IP does not grant that IP exclusive rights to consolidate and disseminate order and trade data. CanPX will not seek such exclusivity through the terms of any contract with a Data Contributor or Data Purchaser.

## **11. Time to implementation and transition to new technical facilitator**

- a. CanPX will use best efforts to have the new CanDeal-based platform functional and ready for testing by October 31, 2009.
- b. CanPX will use best efforts to complete the transition from its existing technology provider to CanDeal by December 31, 2009.
- c. CanPX will provide the CSA with a detailed schedule setting out the timeline for transition from its existing to the new technology provider promptly after July 1, 2009. CanPX will provide a monthly update to CSA staff indicating its progress.
- d. CanPX will promptly report to the CSA any expected transition delays, along with its steps to address such delays.

## **12. Term and notice**

- a. CanPX will continue to act as an information processor for corporate debt securities for a period of five years starting from July 1, 2009. CanPX will use its best efforts to provide CSA staff with at least one year notice should it determine that it does not wish to continue as an information processor upon the expiry of the 5-year term.