

**CSA Notice****Amendments to National Instrument 24-101  
*Institutional Trade Matching and Settlement*  
and  
Changes to Companion Policy 24-101CP to National Instrument  
24-101 *Institutional Trade Matching and Settlement*****April 27, 2017****Introduction**

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (**Instrument** or **NI**) and changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement* (**Companion Policy** or **CP**) (collectively, the NI and CP are referred to as **NI 24-101**). The amendments to the NI and changes to the CP are referred to collectively in this Notice as the **Revisions**.

Some of the Revisions are being made in anticipation of shortening the standard settlement cycle for equity and long-term debt market trades in Canada from three days after the date of a trade (**T+3**) to two days after the date of a trade (**T+2**). The move to a T+2 settlement cycle is expected to occur on September 5, 2017, at the same time as the markets in the United States are expected to move to a T+2 settlement cycle.

In some jurisdictions, government ministerial approvals are required for the implementation of the amendments to the Instrument. Provided all necessary approvals are obtained, we expect the amendments will come into force, with certain transitional relief, in all CSA jurisdictions on September 5, 2017 (see "**Discussion – 3. Effective date of Revisions and transitional provisions**"). Additional information regarding the adoption of the amendments to the NI in each province or territory is, where applicable, included in Annex G. The text of the amendments to the NI, and text of the changes to the CP, follow after this Notice in Annexes C and D, respectively, and will also be available on websites of CSA jurisdictions, including:

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
[www.albertasecurities.com](http://www.albertasecurities.com)  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)  
[www.nssc.novascotia.ca](http://www.nssc.novascotia.ca)  
[www.fcncb.ca](http://www.fcncb.ca)  
[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)  
[www.mbsecurities.ca](http://www.mbsecurities.ca)

This Notice includes the following Annexes:

- Annex A: list of comment letters
- Annex B: summary of comments on "Proposed Revisions" (defined below) and CSA responses
- Annex C: amendments to the NI (including the Forms)
- Annex D: changes to the CP

**Background**

We published for comment on August 18, 2016 for 90 days proposed amendments to the Instrument and changes to the Companion Policy (collectively, the **Proposed Revisions**). As we explained in the *Notice and Request for Comments* (the **Request Notice**),<sup>1</sup> the purposes of the Proposed Revisions were twofold:

- To facilitate the move to a T+2 settlement cycle (while NI 24-101 does not currently expressly mandate a T+3 settlement cycle, nor would prevent the migration to T+2, there are a number of provisions that require revision to facilitate the move to T+2), and
- To update, modernize and clarify certain provisions of NI 24-101.

In addition to seeking comment on the Proposed Revisions, we published at the same time CSA Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment* (**Consultation Paper**).<sup>2</sup> The Consultation Paper sought stakeholder views on the adequacy of today's settlement discipline regime for the Canadian equity and debt markets that are moving to a standard T+2 settlement cycle. The Consultation Paper explored, for regulatory consideration, possible new measures that might enhance settlement discipline and mitigate potential risk of increased settlement fails as the markets move to T+2. Such measures were to be over and above the Proposed Revisions.<sup>3</sup>

We received seven comment letters on both the Proposed Revisions and Consultation Paper. A list of the commenters is attached in Annex A to this Notice. We have considered the comments received, and thank all commenters for their submissions. We provide a summary of the comments on the Proposed Revisions, together with our responses, in Annex B to this Notice.

We briefly discuss some of the key comments and our responses below under "Discussion". CSA staff propose to bring forward for publication later in 2017 a summary of the feedback we received on the Consultation Paper, together with staff's analysis of such feedback (**Feedback Analysis**).

The Revisions being adopted today by the CSA are based solely on the Proposed Revisions. We do not propose to implement at this time any additional measures arising from the Consultation Paper to prepare for the move to T+2 as a result of the feedback received.<sup>4</sup> The Feedback Analysis will provide further details.

### **Recent developments on investment fund settlement timelines**

The CSA has held ongoing discussions with the conventional mutual fund industry regarding the industry's transition to a T+2 settlement cycle. Three industry associations, an industry outsourcing and technology vendor and a clearing agency have been consulted in this regard. These industry stakeholders and service providers have requested that the CSA provide guidance regarding the adoption of a T+2 settlement cycle by conventional mutual funds. The CSA jurisdictions anticipate addressing this in a separate publication.

### **Discussion**

Defined terms or expressions used in this Notice, which are not otherwise defined or given a meaning in this Notice, share the meanings provided in the Request Notice.

This section of the Notice is divided into three parts.

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<sup>1</sup> See CSA Notice and Request for Comments: Proposed Amendments to NI 24-101 *Institutional Trade Matching and Settlement*, Changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement*, and CSA Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment*, August 18, 2016, (2016), 39 OSCB 7225.

<sup>2</sup> See Annex E of Request Notice, at p. 7276.

<sup>3</sup> Such measures were also over and above the changes being made by the industry to the rulebooks, procedures, standard agreements and other documentation of the marketplaces, SROs and clearing agencies to reflect the move to T+2 from T+3. For a discussion of these industry changes, see the Request Notice at p. 7226-7, and Consultation Paper at p. 7280. For example, the Investment Industry Regulatory Organization of Canada (IIROC) has proposed amendments to its Universal Market Integrity Rules, Dealer Member Rules, and Form 1 to facilitate the investment industry's move to T+2 settlement. See IIROC Notice 16-0177 *Amendments to facilitate the investment industry's move to T+2*, available at: [http://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc\\_20160728\\_iiroc-notice-16-0177.pdf](http://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc_20160728_iiroc-notice-16-0177.pdf).

<sup>4</sup> Almost all commenters say that the existing settlement discipline regime is adequate and largely capable of meeting a T+2 settlement cycle.

- In part 1, we discuss key Revisions that relate to the migration to T+2 settlement. These Revisions do not affect NI 24-101's current institutional trade matching (**ITM**) deadline of noon on T+1, nor its exception reporting ITM threshold of 90 percent.
- In part 2, we discuss key Revisions that clarify or modernize certain provisions of NI 24-101.
- In part 3, we describe the effective date for implementing the Revisions and certain transitional provisions in response to concerns expressed by commenters with implementing the Revisions on September 5, 2017.

## 1. T+2-related Revisions

### (a) References to "T+3"

While the primary focus of the Instrument is on having ITM policies and procedures to match institutional trades no later than noon on T+1, NI 24-101 contains a number of references to T+3. We are removing these references or, where appropriate, replacing them with references to "T+2".

### (b) Non-North American trades

We proposed in the Request Notice to repeal the provisions that extend the ITM deadline to noon on T+2 where a DAP/RAP trade results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside the North American region (**non-North American trades**). Most commenters agreed with repealing these provisions. Some commenters noted that a longer deadline could subject market participants, who are waiting for a trade to settle on T+2, to increased risks of a failed trade. Some who commented about removing the extended deadline for matching non-North American trades also indicated that such a change should not be onerous given that it would align Canada with T+2 settlement cycles in other jurisdictions. This includes the T+2 settlement cycle in use today in Europe, Hong Kong, Australia and New Zealand, as well as the T+2 settlement cycle standard proposed for the United States and Mexico as of September 5, 2017.<sup>5</sup>

As a result, we are repealing the provisions of NI 24-101 relating to non-North American trades. These provisions are no longer appropriate in a standard T+2 settlement environment. The extended deadline of noon on T+2 for non-North American trades leaves insufficient time to solve problems and avoid failed trades; instead, parties need to match earlier on T+1 regardless of the cross-border nature of the trade, so that they have time to address issues and avoid failed trades.

## 2. Revisions to clarify or modernize NI 24-101

### (a) Application to ETFs

As noted in the Request Notice, NI 24-101 does not currently apply to a trade in a security of a mutual fund to which National Instrument 81-102 *Investment Funds (NI 81-102)* applies. Mutual fund trades were originally carved out of NI 24-101 because traditional purchase and redemption transactions in mutual fund securities were not cleared and settled through the facilities of a clearing agency, such as CDS Clearing and Depository Services Inc. (**CDS**). As exchange traded funds (**ETFs**) are mutual funds and therefore subject to NI 81-102, ETF securities that are bought

<sup>5</sup> Since the publication of our Request Notice in August 2016:

- The U.S. Securities and Exchange Commission (**SEC**) published for comment in September 2016 a release (**SEC Proposed Release**) proposing to amend SEC Rule 15c6-1(a) *Settlement Cycle* under the Securities Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2. See SEC Release No. 34-78962; File No. S7-22-16 (RIN 3235-AL86), *Amendment to Securities Transaction Settlement Cycle*; Proposed rule; September 28, 2016; available at: <https://www.sec.gov/rules/proposed/2016/34-78962.pdf>. The SEC adopted these amendments on March 22, 2017 in a final release (**SEC Final Release**). See SEC Release No. 34-80295; File No. S7-22-16 (RIN 3235-AL86), *Securities Transaction Settlement Cycle*; Final rule; published in Federal Register, March 29, 2017; available at: <https://www.gpo.gov/fdsys/pkg/FR-2017-03-29/pdf/2017-06037.pdf>. The "compliance date" set out in the SEC Final Release for meeting the new T+2 standard is September 5, 2017.
- Grupo Bolsa Mexicana de Valores (the Mexican Stock Exchange) recently announced that it will change trade settlement dates for many equity products and warrants to T+2 from the current T+3 starting September 5, 2017, subject to the approval and implementation by the U.S. financial services industry of the move to T+2 on such date (according to a Notice from Grupo Bolsa Mexicana de Valores dated February 16, 2017 to "Traders and Head Traders of the Mexican Equity Market", as set forth in a widely distributed email dated February 21, 2017 from the Canadian Capital Markets Association (**CCMA**)).

and sold like any other stock on the secondary markets and settled through the facilities of CDS, are not subject to NI 24-101.

In the Request Notice we expressed the view that a secondary-market trade in an ETF security that settles through the facilities of CDS should be subject to NI 24-101, particularly the trade matching requirements of the Instrument (Parts 3 and 4). Such trades bring the same risks to our markets and the clearing and settlement infrastructure that serves our markets as any other typical trade in equity or fixed-income securities. In addition, non-redeemable investment funds that trade on a marketplace and settle through CDS are currently subject to the Instrument. We are of the view that all investment funds that are traded on a marketplace should be treated in the same way under the Instrument. Some commenters noted that, since NI 24-101 came into force in 2007, the volume of ETF issuers and transactions has increased, but has not posed a challenge in respect of the timely matching of these trades. Commenters also said that ETFs are already included in the ITM matching data published by CDS.

We are narrowing the scope of the current exception for investment funds by amending paragraph (f) of section 2.1 of the NI to clarify that the Instrument does not apply to a purchase governed by Part 9, or a redemption governed by Part 10, of NI 81-102. Part 9 governs purchases of securities of a mutual fund, and Part 10 governs redemptions of investment fund securities. Moreover, the Forms and Companion Policy are being amended to clarify that DAP/RAP trades in ETF securities are to be included in the exception reports under Form 24-101F1 by registered firms as “equity” DAP/RAP trades, and not as “debt” DAP/RAP trades.

#### ***(b) Clearing agency definition***

In the Request Notice, we expressed our view that the defined term “clearing agency” needed to be updated, given the growing number of, and the broader range of services provided by, clearing agencies operating in Canada since 2007. Accordingly, we have amended the definition as proposed.

#### ***(c) MSU systems and business continuity planning requirements***

We proposed in the Request Notice to amend section 6.5 of the NI and related CP provisions, which set out systems and business continuity planning requirements for matching service utilities (**MSU**). The purpose of such Proposed Revisions was to align them with similar provisions in other rules applicable to marketplaces, information processors, clearing agencies and trade repositories. However, some commenters expressed concerns with these Proposed Revisions. Among other reasons, one commenter noted that regulators should not impose new obligations on MSUs that are overly onerous, as they could jeopardize the continuity and availability of MSU services to Canadian market participants. One commenter also suggested that a formal “substitute compliance” regime be considered with respect to these requirements in circumstances where an MSU is already complying with analogous requirements of its home regulator in a foreign jurisdiction.

CSA staff will consider further policy work on systems and related requirements applicable to MSUs at a later time. Consequently, we will not proceed at this time with the Proposed Revisions to section 6.5 of the NI and section 4.5 of the CP.

### **3. Effective date of Revisions and transitional provisions**

#### ***(a) Effective date of Revisions***

As mentioned above, we expect the amendments to the Instrument will come into force on September 5, 2017 in all CSA jurisdictions, subject to obtaining government ministerial approvals in certain CSA jurisdictions. We chose this date so that the Revisions are implemented at the same time as the markets in the United States are expected to transition from a T+3 settlement cycle to a T+2 settlement cycle.<sup>6</sup> The U.S. securities industry has identified September 5, 2017 as the target date for the transition to a T+2 settlement cycle to occur. Similarly, the SEC has determined a “compliance date” of September 5, 2017 for meeting a new T+2 settlement standard for broker-dealer transactions under recently adopted amendments to SEC Rule 15c6-1(a) *Settlement Cycle* enacted under the Securities Exchange Act of 1934.<sup>7</sup> However, while remote, it is possible that this target or compliance date may be extended if certain regulatory and industry contingencies are not achieved on time.<sup>8</sup>

<sup>6</sup> See “Priorities” on the CCMA Website, at: <http://ccma-acmc.ca/en/priorities/>. See also CSA Staff Notice 24-312 – *Preparing for the Implementation of T+2 Settlement* dated April 2, 2015, available at: [http://www.nbsc-cvmnb.ca/nbsc/uploaded\\_topic\\_files/24-312-CSAN-2015-04-02-E.pdf](http://www.nbsc-cvmnb.ca/nbsc/uploaded_topic_files/24-312-CSAN-2015-04-02-E.pdf).

<sup>7</sup> See the SEC Final Release.

<sup>8</sup> See the SEC Proposed Release, at pages 76-77.

As a result, while we have specified September 5, 2017 as the earliest date when the Revisions will become effective, the amending instrument that implements the Revisions contains language that will allow for the effective date to be extended in order to match a delay of the U.S. transition to a T+2 settlement cycle, should the U.S. target-compliance date be extended for whatever reason. In the event that the U.S. compliance date is extended, for transparency purposes the CSA jurisdictions expect to publish a subsequent notice to highlight such a date extension.

***(b) Transitional provisions for delivery of Forms 24-101F1, 24-101F2 and 24-101F5 for calendar quarter that includes the effective date***

Under section 4.1 of the Instrument, each calendar quarter is a reporting period for the purposes of delivering an exception report in Form 24-101F1. Commenters expressed concerns that, because September 5, 2017 falls within the calendar quarter ending September 30, 2017, registered firms delivering exception reports in Form 24-101F1 for that quarter could potentially be subject to two different sets of reporting requirements in that quarter. Essentially, if the Revisions related to reporting were brought into force on September 5, 2017, firms might report their ITM rates based on two different methodologies: first, using their current methodology for reporting ITM rates for the period from July 1, 2017 to September 4, 2017, and second, using a different methodology for reporting ITM rates for the period from September 5, 2017 to September 30, 2017.

We have considered these comments, and included specific transitional provisions in the instrument amending the NI to address this issue. The transitional provisions also apply to the reporting requirements of clearing agencies and MSUs with respect to Forms 24-101F2 and 24-101F5, respectively. The transitional relief for registered firms relates only to determining whether an exception report is necessary for the calendar quarter and, if it is, the form required for that report. However, September 5, 2017 (or such later date, as discussed above) remains the effective date for having policies and procedures to reflect the amended matching requirements regarding ETFs and non-North American trades. A registered dealer or a registered advisor must establish, maintain, and enforce policies and procedures designed to achieve matching as soon as practical after a DAP/RAP trade for an institutional investor is executed and in any event no later than 12 p.m. (noon) on T+1.

The transitional relief would permit a registered firm to calculate its relevant ITM percentages for determining whether it needs to file an exception report for the calendar quarter during which the Revisions are implemented, and, where applicable, for completing the report, as if the Revisions do not come into force until the beginning of the following calendar quarter. Therefore, if the effective date is September 5, 2017, registered firms would be entitled to continue to use their current methodologies for calculating whether they meet the 90% ITM threshold for the entire calendar quarter ending September 30, 2017. For example, to the extent that a firm currently differentiates between North American DAP/RAP trades and non-North American DAP/RAP trades, or between ETF DAP/RAP trades and other equity DAP/RAP trades, for the purposes of its exception reports, it would not need to change mid-quarter its methodology for completing the report for the calendar quarter ending September 30, 2017.

As revised, section 3.4 of the Companion Policy encourages registered firms to complete their Form 24-101F1 through the NI 24-101 on-line portal on the CSA website.<sup>9</sup> It is important to note that the CSA will not modify the on-line version of Form 24-101F1 to reflect the relevant changes made to the Form in the Revisions until after 45 days following the end of the calendar quarter during which the Revisions are implemented. Therefore, we encourage registered firms to file their on-line exception reports for the calendar quarter during which the Revisions are implemented on the current version of the Form, and not the revised Form.

**CSA Staff Notice 24-305**

In order to reflect the Revisions, CSA staff plan to update and republish CSA Staff Notice 24-305 *Frequently Asked Questions About National Instrument 24-101 – Institutional Trade Matching and Settlement and Related Companion Policy* later this year.

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<sup>9</sup> In Ontario, it is mandatory to file the Form electronically through the on-line portal on the CSA Website. See OSC Rule 11-501 *Electronic Delivery of Documents to the Ontario Securities Commission*.

## Questions

Questions with respect to this Notice may be referred to:

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## **ANNEX A**

### **LIST OF COMMENTERS ON PROPOSED REVISIONS AND CONSULTATION PAPER**

Barbara Amsden  
Canadian Capital Markets Association  
CIBC World Markets Inc.  
Investment Industry Association of Canada  
Omgeo Canada Matching Ltd. (two letters)  
RBC Dominion Securities Inc.



**ANNEX B**  
**SUMMARY OF PUBLIC COMMENTS ON PROPOSED REVISIONS**

1. Theme/question	2. Summary of comments	3. General responses
<b>General</b>		
<i>Support for T+2 amendments</i>	Commenters expressed appreciation for the CSA's work towards the transition to T+2, one emphasizing the CSA's contribution for raising awareness of T+2 within broader sectors of industry.	We acknowledge and thank the commenters for their remarks.
<i>Current ITM data</i>	A commenter suggests that the Canadian industry is already capable of meeting a T+2 standard on average, as evident from the data shown in Table B-1 of Appendix B of the Consultation Paper. It highlights that the data shows an increase in trade matching volume rates between 2007 and December 2015, including: <ul style="list-style-type: none"> <li>• A doubling in percentages entered by midnight on T and approaching a quadrupling in matching by that time</li> <li>• A 16% increase in the percentage of trades entered and an almost 50% increase in trades matched by noon on T+1 ready for settlement on T+2.</li> </ul>	We thank the commenter for this comment. Appendix B of the Consultation Paper includes additional analysis of the ITM data.
<b>National Instrument 24-101 Institutional Trade Matching</b>		
<b>Non-North American Trades</b>	Most commenters agree with the proposal to repeal the provisions that extend the institutional trade matching deadline to noon on T+2 for non-North American trades. One commenter notes that the longer deadline could subject those waiting for a trade to settle on T+2 to increased risk of failed trades. Another commenter notes that regardless of the complexities with foreign investments and cross border transactions, today non-North American trades are typically matched and settled efficiently. Although this commenter also says that some firms might need to improve their processes, it does not expect material long-term disruptions. Another commenter notes that this should not be an onerous change given that it aligns Canada with what participants are currently accustomed to for T+2 settlement in the Europe, Australia, New Zealand, etc.	We are repealing the provisions of NI 24-101 relating to non-North American trades. As indicated in the accompanying CSA Notice, in a T+2 settlement environment, the extended institutional trade matching deadline of noon on T+2 leaves insufficient time to solve problems and avoid failed trades.
<b>Alternatives to T+2</b>	One commenter notes that there are no reasonable alternatives to the proposed changes and that a detailed cost-benefit analysis is not required given the full Canadian industry agreement. Also, given the significantly interconnected nature, and relative sizes, of the Canadian and U.S. capital markets, the change to T+2 with the U.S. is required.	We agree with these comments. See: CSA Staff Notice 24-312 <i>Preparing for the Implementation of T+2 Settlement</i> , April 2, 2015; and CSA Staff Notice 24-314 <i>Preparing for the Implementation of T+2 Settlement: Letter to Registered Firms</i> , May 26, 2016; (2016), 39 OSCB 4873.
<b>Application to ETFs</b>	One commenter notes that, despite the increased volume of ETF issuers and transactions since NI 24-101 came into force in 2007, it has not posed a significant challenge on the timely matching of these trades. Two commenters also note that ETFs are already included in the matching data published by CDS.	We are amending paragraph 2.1(f) of the NI by narrowing the scope of the current exception for investments funds. As indicated in the Notice accompanying this publication, secondary market trading in ETFs brings the same risks to our markets and the clearing and settlement infrastructure as other typical trades in equity or fixed-income securities.
<b>MSU systems and</b>	One commenter says that any new obligations	We are not proceeding with the Proposed

1. Theme/question	2. Summary of comments	3. General responses
<b>business continuity planning</b>	<p>imposed upon MSUs should not be viewed as overly onerous by the MSUs as it could potentially jeopardize the continuity of the MSUs service to Canadian market participants. This commenter also notes the importance of bilateral discussions with MSUs to ensure an appropriate balance in any such proposals.</p> <p>Another commenter expresses concern regarding the timing obligations, noting that they may represent a challenge to the extent that they are out of step with non-Canadian regulatory requirements.</p>	<p>Revisions to section 6.5 of the NI and section 4.5 of the CP regarding MSU systems and business continuity requirements at this time, as we will consider further policy work on this matter.<sup>10</sup></p>
<b>Annual MSU testing requirements</b>	One commenter submits that conducting capacity stress tests of its systems and testing its business continuity plans, including disaster recovery, on a minimum annual basis, may be unnecessarily prescriptive. This commenter suggests that it may be more effective to adopt a collaborative approach between the MSU and the regulator as to the frequency of testing, thereby enabling assessment and adjustment of expectations in response to changes in technology and market practices.	
<b>Substituted compliance</b>	One commenter submits that given the interconnected nature of market infrastructure, it is important to consider a degree of formalized substitute compliance. For example, where an MSU complies with the requirements of a foreign regulator, e.g. <i>Regulation SCI</i> in the U.S., such activities could be deemed to satisfy any analogous requirements in NI 24-101.	
<b>Transitional phase</b>	Two commenters identify an issue with the target implementation date, September 5, 2017, in relation to reporting requirements for registered firms. One commenter notes that the target implementation date falls mid-month and mid-quarter in a reporting period for which an exception report might have to be filed. It states that providing transitional relief for one quarter posed little, if any, systemic risk or risk for investors. It suggests that the CSA implement exception reporting effective in the fourth calendar quarter of 2017 and that reporting for the third quarter would remain on the same basis as currently (or a corresponding quarter, should the implementation date be moved). The commenter further recommends, for some matching parties, that there be no requirement for exception reporting for the third-calendar quarter of 2017.	<p>We have included specific transitional provisions in the instrument amending the NI to address this issue.</p> <p>As indicated in the Notice accompanying this publication, the transitional provisions apply to the reporting requirements of registered firms, clearing agencies and MSUs. The transitional relief would permit a registered firm to calculate its relevant ITM percentages for determining whether it needs to file an exception report for the calendar quarter in which the Revisions are implemented, and, where applicable, for completing the report, as if the Revisions do not come into force until the following calendar quarter.</p> <p>However, September 5, 2017 (or such later date, if the transition to T+2 is delayed) remains the effective date for having policies and procedures to reflect the amended matching requirements regarding ETFs and non-North American trades.</p>
<b>Companion Policy 24-101 Institutional Trade Matching</b>		
<b>MSU systems and business continuity planning, including</b>	One commenter notes that subsection 4.5(1) of the CP should be supplemented to include references to equivalent, non-Canadian	See our comment above with respect to the Proposed Revisions to the MSU systems and business continuity planning requirements of the

<sup>10</sup> The proposed amendments to section 6.5 of the NI in the Request Notice had also included the addition of new sections 6.6 to 6.8 of the Instrument, as well as certain revisions to Form 24-101F3 *Matching Service Utility – Notice of Operations*. The proposed changes to section 4.5 of the CP had also included the addition of new sections 4.6 to 4.8 of the Companion Policy.

1. Theme/question	2. Summary of comments	3. General responses
<i>annual testing requirements</i>	technology guidelines.	NI.

**ANNEX C**  
**AMENDMENTS TO**  
**NATIONAL INSTRUMENT 24-101**  
**INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

**1. National Instrument 24-101 Institutional Trade Matching and Settlement is amended by this Instrument.**

**2. Section 1.1 is amended**

**(a) by replacing the definition of “clearing agency” with:**

“clearing agency” means a recognized clearing agency that operates as a “securities settlement system” as defined in section 1.1 of National Instrument 24-102 *Clearing Agency Requirements*;

**(b) in the definition of “DAP/RAP trade” by,**

**(i) adding “in a security” immediately after “means a trade”, and**

**(ii) replacing “made” with “completed” in paragraph (b),**

**(c) by repealing the definitions of “North American region” and “T+3”, and**

**(d) in the definition of “T+2” by replacing “,” following “means the second business day following T” with “.”.**

**3. Section 1.2 is amended by replacing subsection (2) with the following:**

(2) For the purposes of this Instrument, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the *Securities Act* (Québec)..

**4. Paragraph 2.1(f) is replaced with the following:**

(f) a purchase governed by Part 9, or a redemption governed by Part 10, of National Instrument 81-102 *Investment Funds*..

**5. Section 3.1 is amended**

**(a) in subsection (1) by**

**(i) replacing “shall” with “must”, and**

**(ii) adding “Eastern Time” after “12 p.m. (noon)”, and**

**(b) by repealing subsection (2).**

**6. Section 3.2 is amended by replacing “shall” with “must”.**

**7. Section 3.3 is amended**

**(a) in subsection (1) by**

**(i) replacing “shall” with “must”, and**

**(ii) adding “Eastern Time” after “12 p.m. (noon)”, and**

**(b) by repealing subsection (2).**

**8. Sections 3.4 and 4.1 are amended by replacing “shall” with “must”.**

**9. Section 5.1 is amended by replacing “through which trades governed by this Instrument are cleared and settled shall” with “must”.**

**10. Sections 6.1 to 8.1 are amended by replacing “shall” with “must” wherever it appears.**

**11. Form 24-101F1 is amended by replacing the instructions before the heading “Exhibits” with the following:**

**INSTRUCTIONS:**

Deliver this form for both equity and debt DAP/RAP trades together with Exhibits A, B and C pursuant to section 4.1 of the Instrument, covering the calendar quarter indicated above, within 45 days of the end of the calendar quarter if

- (a) less than 90 per cent of the equity and/or debt DAP/RAP trades executed by or for you during the quarter matched within the time required in Part 3 of the Instrument, or
- (b) the equity and/or debt DAP/RAP trades executed by or for you during the quarter that matched within the time required in Part 3 of the Instrument represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.

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..

**12. Form 24-101F1 is amended by replacing Exhibit A – DAP/RAP trade statistics for the quarter with the following:****Exhibit A – DAP/RAP trade statistics for the quarter**

If 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)**

Entered into the clearing agency by deadline (to be completed by dealers only)				Matched (to be completed by dealers and advisers)							
# 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**

Entered into the clearing agency by deadline (to be completed by dealers only)				Matched (to be completed by dealers and advisers)							
# 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.

**13. Form 24-101F1 is amended in Exhibit B and C by replacing "Companion Policy 24-101CP" with "Companion Policy 24-101".****14. Form 24-101F2 is amended by replacing the instructions before the heading "Exhibits" with the following:****INSTRUCTIONS:**

Deliver this form together with all exhibits pursuant to section 5.1 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

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

Exhibits must be provided in an electronic file, in the following file format: "CSV" (Comma Separated Variable) (e.g., the format produced by Microsoft Excel)..

**15. Form 24-101F2 is further amended in Exhibit A, in Tables 1 and 2, by**

- (a) deleting the row titled "T+3", and**
- (b) replacing ">T+3" with ">T+2".**

**16. Form 24-101F3 is amended under the heading "INSTRUCTIONS:" by**

- (a) deleting "or 10.2(4)",**
- (b) replacing "shall" with "must", and**
- (c) deleting the following:**

If you are delivering Form 24-101F3 pursuant to section 10.2 (4) of the Instrument, simply indicate at the top of this form under "Date of Commencement Information" that you were already carrying on business as a matching service utility in the relevant jurisdiction on the date that Part 6 of the Instrument came into force.

**17. Form 24-101F4 is amended under the heading "INSTRUCTIONS:" by replacing "shall" with "must" in the second paragraph.**

**18. Form 24-101F5 is amended under the heading "INSTRUCTIONS:" by**

- (a) adding the following paragraph after the first paragraph:**

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics., **and**

- (b) replacing "shall" with "must" wherever it appears.**

**19. Form 24-101F5 is amended in Exhibit C, Tables 1 and 2, by**

- (a) deleting the row titled "T+3", and**
- (b) replacing ">T+3" with ">T+2".**

**Transition**

**Registered firm's exception report – former rules apply to first quarter ending after the effective date**

- 20. (1) For the purposes of the calculations under National Instrument 24-101 *Institutional Trade Matching and Settlement* that determine whether, with respect to the first calendar quarter ending after the effective date, Form 24-101F1 must be delivered under section 4.1 of that Instrument, a registered firm may make the determination under that Instrument as it was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.
- (2) If a registered firm is required to deliver Form 24-101F1, and the effective date is not the first day of a calendar quarter, with respect to the first calendar quarter ending after the effective date, the firm may comply with the requirement by delivering the version of Form 24-101F1 that was in force on the day before the effective date.

**Clearing agency's operations report – former rules apply to first quarter ending after the effective date**

- 21. For the purposes of section 5.1 of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a clearing agency may comply with the requirement to deliver Form 24-101F2, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F2 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

**Matching service utility's operations report – former rules apply to first quarter ending after the effective date**

- 22. For the purposes of section 6.4(1) of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a matching service utility may comply with the requirement to deliver Form 24-101F5, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F5 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

**Meaning of effective date**

23. For the purposes of sections 20 to 22 of this Instrument, “effective date” means the date this Instrument comes into force.

#### **Effective Date**

*In one or more jurisdictions, the means by which this Instrument may be brought into force may differ from that set out in section 24 of this Instrument. Regardless of the means, the effective date will be the same in all jurisdictions.*

24. (1) Except in Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut, and Prince Edward Island, this Instrument comes into force on the later of the following:
- (a) September 5, 2017;
  - (b) if this Instrument is filed with the Registrar of Regulations after September 5, 2017, on the day on which it is filed with the Registrar of Regulations.
- (2) In Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut and Prince Edward Island this Instrument comes into force on the later of the following:
- (a) September 5, 2017;
  - (b) in the event that the SEC extends the current compliance date of September 5, 2017 for broker-dealers in the United States to meet a new T+2 settlement standard under the amendments to Rule 15c6-1, the extended date set by the SEC to be such compliance date.
- (3) For the purposes of paragraph (2)(b),
- (a) “SEC” means the United States Securities and Exchange Commission;
  - (b) “Rule 15c6-1” means SEC Rule 15c6-1, *Securities Transactions Settlement*, Exchange Act Release No. 33023 (Oct. 6, 1993), 58 FR 52891, 52893 (Oct. 13, 1993); generally cited as: 17 CFR 240.15c6-1; and
  - (c) “amendments to Rule 15c6-1” means amendments made by the SEC to Rule 15c6-1 published on March 29, 2017 in the Federal Register in the United States to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2, as set forth in SEC Release No. 34-80295; File No. S7-22-16 (RIN 3235-AL86), *Securities Transaction Settlement Cycle*; Final rule.

**ANNEX D**  
**CHANGES TO**  
**COMPANION POLICY 24-101**  
**INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

1. ***Companion Policy 24-101 Institutional Trade Matching and Settlement is changed by this Document.***
2. ***The title of the Companion Policy is replaced by the following:***

**COMPANION POLICY 24-101**  
**INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

3. ***Subsection 1.2(2) is changed by replacing, in the last sentence of footnote 3, the words “within one hour of the execution of the trade” with “by no later than 6 pm on the day of the trade”.***
4. ***Paragraph 1.2(3)(c) is changed by replacing footnote 5 by the following:***

<sup>5</sup> See, for example, section 14.12 of NI 31-103 and IIROC Member Rule 200.1(h).

5. ***Subsection 1.3(1) (including footnotes) is replaced by the following (including a footnote):***

(1) ***Clearing agency***

While the terms “clearing agency” and “recognized clearing agency” are generally defined in securities legislation,<sup>6</sup> we have defined *clearing agency* for the purposes of the Instrument to narrow its scope to a recognized clearing agency that operates as a securities settlement system. The term *securities settlement system* is defined in National Instrument 24-102 *Clearing Agency Requirements* as a system that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Today, the definition of *clearing agency* in the Instrument applies to CDS Clearing and Depository Services Inc. (CDS). For the purposes of the Instrument, a clearing agency includes, in Québec, a clearing house and settlement system within the meaning of the *Securities Act* (Québec). See subsection 1.2(2). [footnote 6: See, for example, s. 1(1) of the *Securities Act* (Ontario).]

6. ***Subsection 1.3(4) is changed by replacing the words “the Joint Financial Questionnaire and Report of the Canadian SROs” with “IIROC Form 1, Part II”.***

7. ***Section 2.2 is changed by***

(a) ***adding “Eastern Time” after “12p.m. (noon)”***,

(b) ***deleting the second and third sentences, and***

(c) ***adding after the first sentence the following new sentence (including a footnote):***

The policies and procedures requirement of Part 3 of the Instrument is consistent with the overarching obligation of a registered firm to manage the risks associated with its business in accordance with prudent business practices.<sup>7</sup> [footnote 7: See s. 11.1 of NI 31-103, which requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with their business in accordance with prudent business practices.]

8. ***Section 3.1 is changed by***

(a) ***replacing in paragraph (a), the words “a percentage target of the DAP/RAP trades” with “90 percent of the DAP/RAP trades (by volume and value)”***, and

(b) ***replacing the first word “They...” in the second sentence of paragraph (b) with the following:***

DAP/RAP trades in exchange-traded funds are reportable in the equities category of DAP/RAP trades.

Form 24-101F1 should only be submitted for DAP/RAP trades for the type of security (equity or debt) that did not meet the 90 percent threshold by the relevant timeline. If a registered firm does not meet the threshold for both equity and debt DAP/RAP trades, then it should submit the Form for both equity and debt DAP/RAP trades (i.e., by completing both tables in Exhibit A of Form 24-101F1). If the firm does not meet the threshold only for one type of security (i.e., for equity but not debt, or for debt but not equity), it should only submit the Form for the one type of security, by completing only one of the tables in Exhibit A of Form 24-101F1. A registered firm ...

9. ***Paragraph 3.2(b) is changed by***



**(a) replacing the first sentence with the following:**

The Canadian securities regulatory authorities may consider the consistent inability to meet the matching percentage target as evidence that either the policies and procedures of one or more of the trade matching parties have not been properly designed or, if properly designed, have been inadequately complied with., **and**

**(b) replacing, in the second sentence, the word “will” with “may”.**

**10. Section 3.3 is changed by replacing “participants or users/subscribers” with “participants, users or subscribers”.**

**11. Section 3.4 is changed by replacing “may” with “are encouraged to”.**

**12. Subsection 4.1(1) is changed by**

**(a) replacing the first word (“The...”) in the second sentence with the following “For the purposes of the Instrument, the...”, and**

**(b) adding the following text (including a footnote) after the last sentence:**

In Québec, a person or company that seeks to provide centralized facilities for matching must, in addition to the requirements of the Instrument, apply for recognition as a matching service utility or for an exemption from the requirement to be recognized as a matching service utility pursuant to the *Securities Act* (Québec) or *Derivatives Act* (Québec). In certain other jurisdictions, in addition to the requirements of the Instrument, such person or company may be required to apply either for recognition as a clearing agency or for an exemption from the requirement to be recognized as a clearing agency.<sup>10</sup> [footnote 10: See, for example, the scope of the definition of “clearing agency” in s. 1(1) of the *Securities Act* (Ontario), which includes providing centralized facilities “for comparing data respecting the terms of settlement of a trade or transaction”.].

**13. Section 4.2 is changed by replacing “Sections 6.1(1) and 10.2(4) of the Instrument require ...” with “Subsection 6.1(1) of the Instrument requires”.**

**14. Section 5.1 is changed by**

**(a) replacing “T+3” with “T+2”, and**

**(b) renumbering footnote 10 to 11.**

**15. This Document becomes effective on the same day as the instrument amending National Instrument 24-101 *Institutional Trade Matching and Settlement* (see Annex C of this Notice) becomes effective.**

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