

SRO Notices and Disciplinary Proceedings

13.1.1 Commission Approval of Proposed Amendments to IDA Regulation 800: Proposed New Regulation 800.49 Regarding Broker-to-Broker Trade Matching — IDA Summary of Comments and Responses

**THE INVESTMENT DEALERS
ASSOCIATION OF CANADA (IDA)
NOTICE OF COMMISSION APPROVAL
PROPOSED AMENDMENTS TO IDA REGULATION 800 -
TRADING AND DELIVERY: PROPOSED NEW
REGULATION 800.49 REGARDING BROKER-TO-
BROKER TRADE MATCHING**

The Ontario Securities Commission approved proposed amendments to IDA Regulation 800 — *Trading and Delivery*, which amendments involve the addition of new Regulation 800.49 regarding Broker-to-Broker Trade Matching. In addition, the Alberta Securities Commission approved, and the British Columbia Securities Commission did not object to, the proposed amendments.

A copy and description of an initial proposed new Regulation 800.49 were published on November 8, 2002, at (2002) 25 OSCB 7396. As a result of staff review and comments, the IDA modified its proposal. A copy and description of the revised new Regulation 800.49 were published on February 13, 2004, at (2004) 27 OSCB 2038. The Regulation requires IDA members to enter the details of non-exchange trades in depository eligible securities into an *Acceptable Trade Matching Utility*. Such a utility has been developed by The Canadian Depository for Securities Limited as part of the development of its new CDSX system (the CDSX Broker-to-Broker Trade Matching Utility). The IDA received comments from one bank-owned dealer, but no changes were required to the revised Regulation. The IDA's summary of comments and responses is published below in Appendix "A".

Appendix "A"

**SUMMARY OF PUBLIC COMMENTS
IDA'S RESPONSES TO COMMENTS RECEIVED ON
PROPOSED NEW REGULATION 800.49**

On February 13, 2004, proposed Regulation 800.49 regarding Broker-to-Broker Trade Matching was published for comment.

The IDA received one comment letter from BMO Financial Group dated April 6, 2004 (which updated the comments contained in a previous letter dated February 10, 2004).

Summary of Written Comments Received on the Proposed Regulations and Policy

Timing of Rule Implementation

Comment

The implementation date for near real time (M1) matching and the penalties for non-compliance should be aligned with regulatory or industry rules or policies that are being considered to support institutional trade matching on trade date (part of the industry-wide straight through processing initiative).

Response

The commenter's concern is not with the proposed rule but rather is with the timing of its implementation. We believe we are addressing the commenter's concern with the following rule implementation approach:

1. **Implement in June 2004 all aspects of proposed Regulation 800.49 with the exception of the one hour reporting requirement to be used for M1 matching** – This will effectively require all IDA Member firms that are CDS participants to use the matching facility when it is launched by the Canadian Depository for Securities in June 2004.
2. **Commence monitoring of the one hour reporting requirement in December 2004 after the matching facility has been in operation for six months.**
3. **Implement and enforce the one hour reporting requirement in June 2005** – This will give all IDA Member firms one year to develop near real time (M1) reporting capabilities. June 2005 is also the target date for the straight through processing initiatives that relate to trade date institutional trade matching.

Further, we will revisit in December 2004 the appropriateness of the June 2005 enforcement date for the one hour reporting requirement by assessing at that time the state of industry preparedness for trade date institutional trade matching.

Technical Specifications of Matching Utility

Comment

With respect to the technical specifications of the trade matching facility, a common definition of a Direct Participant (DP) trade needs to be agreed to by the industry and the handling of multi-fills and invoiced trades needs to be determined.

Response

After discussions with the commenter, it is our understanding that they are satisfied that these technical specification issues and others will be addressed by CDS's B2B Service Bureau/Mini Dry Run User Group.

Rule Enforcement

Comment

What governance mechanisms or penalties are planned for non-compliance with IDA Regulation 800.49?

Response

As discussed in the implementation section, it is intended that one hour reporting requirement will be enforced starting in June 2005 (or a later date if implementation is delayed). The enforcement approach taken will be no different than the approach taken for any other IDA rule. Specifically, the IDA does not intend to impose "late penalties" for Member firms that are not meeting the one-hour reporting requirement.