Request for Comment

CSA Discussion Paper NI 24-401 on
Straight Through Processing
April 19, 2004

Due July 16, 2004

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REQUEST FOR COMMENTS

CSA Discussion Paper NI 24-401 on

Straight Through Processing

General comments on matching on T+0:

BMO Financial group appreciates the opportunity to comment on the CSA STP Discussion Paper NI 24-401 on Straight Through Processing dated April 16, 2004.

BMO Financial Group is a highly diversified financial services provider. It offers clients a broad range of personal, commercial, corporate and institutional financial services across Canada and in the United States through BMO Bank of Montreal, BMO Nesbitt Burns, Harris Nesbitt and its Chicago-based subsidiaries Harris Bank and www.Harris*direct.com*.

BMO performs a multitude of roles in the securities marketplace including that of broker dealer, investment manager and custodian. As such, it is well positioned to comment on the CSA Discussion Paper on straight through processing.

BMO is supportive of a CSA rule mandating matching on T+0, which should be accompanied with clear roles and responsibilities for participants. The diverse nature of financial markets leads us to believe, however, that a single rule will not be sufficient to ensure the compliance of all participants. To that end, we recommend that the CSA rule be part of an integrated set of rules enacted by the SROs, Regulators, Exchanges, and Depositories to ensure that the result is truly seamless. To that end, it may be premature to enact the CSA rule in isolation, without co-ordination with other rule-making entities.

In light of the limited progress the industry has made to date, BMO is in favour of phasing in matching on T+0 but at a pace that will align progress with the US. BMO is not supportive of mandating participant use of a matching utility and believes that participants should be able to utilize technologies and processes suitable to their business model and size.

BMO is supportive of dematerialization but not immobilization, which we believe would perpetuate inefficiency. BMO encourages the CSA to monitor industry progress regarding the introduction of a corporate actions hub and, if necessary, introduce rules mandating its use.

BMO believes that the CSA should introduce a rule to advance the settlement cycle only if the SEC introduces such a rule and only after the capability to match on T has reached >95%. A move to T+1 settlement would remove systemic risk from the system; enable clients to have accurate information about their assets with

finality the next trading day and harmonize equity and fixed income markets with that of banking, derivatives and debt markets.

BMO strongly encourages the SEC and CSA to align matching and settlement rules.

BMO offers the following additional comments on the CSA Discussion Paper.

Specific input on the following questions:

1. **If the CSA were to implement mandatory STP Readiness certificates, what should be the subject matter of such certificates?**

BMO does not believe that STP Readiness Certificates for dealers, investment managers (IMs) and custodians are required. The focus should be on the participants' ability to produce the desired result: matching on T, rather than the means by which the result is achieved. The success rates for matching on T will be available independently and objectively from CDS.

If, however, a good trade compliance agreement rule is introduced, then there will need to be some mechanism or process in place to ensure participants are aware of their roles and responsibilities as they relate to NI 24-401 and related SRO rules and are in compliance. This should occur in advance of a rule implementation date. This process should not address how a registrant meets the rule, e.g. the technologies a participant uses to match on T+0.

Rules dealing with matching on T+0 should reflect the responsibilities of the custodian in settling a trade.

For key infrastructure participants, a formal survey should be completed at least 6 months in advance of the registrants' signoff and rule implementation. This will ensure infrastructure systems and processes necessary to enable matching on T+0 are in place with sufficient time for participant testing and implementation, if required.

2. **Is it important to the competitiveness of the Canadian markets to reach STP at the same time as the US?**

Yes. Canada must be ready to move in tandem with the US for STP processing and an advancement of the settlement cycle if that occurs.

In addition, BMO believes that it is essential to the health of the Canadian capital markets that all participants are able to trade, clear and settle in a cost effective and efficient manner. It is our view that if the US becomes discernibly more efficient and cheaper to trade in, then the Canadian dealers may be motivated to trade inter-listed securities in the US as a way of keeping costs down. Since the cost associated with the execution, clearance and settlement of a trade is an important factor in client trading decisions, clients may not be adverse to such a change. Over time increased trading in the US or other markets would erode the Canadian marketplace and negatively impact it's standing globally.

The introduction of technologies or utilities to the trade and settlement process should eliminate costs not add to them. Based on what is known today about the introduction of a matching utility service[1] (MU) in Canada, there will be net new costs to support trade processing. Communication requirements, system interfaces and application costs are expected to increase. Of particular concern are the transaction costs associated with intra day processing through a matching utility service and service bureau and CDS costs. Since these charges are transaction based with no trade compression pricing benefits[2], the cost impact of a matching utility could be significant.

BMO is concerned that while the CSA states that mandatory use of a MU remains an open issue the CSA STP Discussion Paper appears to take a position. On page 18 the CSA writes "Although we believe many institutional investors will want to use the central facilities of a matching service utility as a business necessity because they will find it difficult to operate in a STP environment in any other way, some particularly the small ones, may be able to operate more efficiently using their existing or enhanced proprietary communication links." BMO would like to understand how such a conclusion was reached. To our knowledge there has not been a consultative process undertaken by either the CCMA or CSA to assess the intentions or capabilities of the investment management community. In addition, it is presumptive to believe that the large investment managers will choose to use a MU.

BMO is concerned that the high emphasis on MUs and substantial filing and reporting requirements listed in the proposed rule will send a signal to the community that using the services of a MU is expected. BMO has communicated to the OSC and to the CCMA that the option of local matching should be considered equally viable. As previously noted, the use of a technology or business process should be a decision made by the participant, not the regulators.

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[1] FMCnet is excluded from this example since it has indicated no price changes are anticipated.
[2] Trade compression processing benefits exist when trades for the same security, same side and price are grouped together for pricing.

3. Should it be one of the CCMA's goals to identify the critical path to reach specific STP goals?

It is imperative that the critical path for the industry to reach specific STP goals be formulated and disseminated. As the public face of STP and T+1, this duty falls to the CCMA.

It is clear that budget cuts to the CCMA have resulted in it delivering only high level oversight of industry initiatives rather than providing a coordinated program to move the industry forward.

If the CCMA can focus on the critical path as a priority, along with a reduction in the scope of the CCMA focus to those areas of STP that are most pressing (for example, Institutional Trade Processing) and increase its budget to include an effective and dynamic project office, then there is the potential to mobilize the industry.

Otherwise, it may be necessary to have the regulators co-ordinate a project office.

4. Should the CSA require market participants to match institutional trades on trade date? Would amending SRO rules to require matching on T be more effective than the proposed instrument? Is the proposed date of July 1, 2005 achievable?

The CSA should be one of the regulatory bodies to mandate matching on T. We remain of the opinion that the compliance of all market participants can only be assured if there is a co-ordination of rules among the regulators and the SROs. Requiring the broker-dealers to police the actions of their clients through contractual "STP agreements" is too indirect and prone to failure. Rules intended to capture all market participants must include investment managers, broker dealers and custodians, all essential to the settlement of a trade.

To date, SROs and CDS have yet to introduce STP enabling rules or policies to meet the CCMA industry initiative. It is unlikely that these entities would be able to introduce coordinating rules and policies that would ensure STP compliance without gaps or overlaps in time to meet the proposed July 1, 2005 deadline or to match US progress.

BMO believes that the July 1, 2005 implementation date is not achievable based on industry progress to date. BMO does however support the CSA introducing an implementation date that would allow for meaningful benchmarking of confirmation and affirmation rates. BMO is supportive of phasing in matching on T at a phase

that aligns with the US. As with the IDA Rule 800 dealing with matching of DP trades, a June 2004 implementation date was established with no penalties until 2005. This ensures all market participants are clearly aware of the rule and target and provides a reasonable timeframe for readiness before penalties are introduced. While initially the matching rate on T+0 may not be at 100%, we would be in a better position to understand why since all participants would have the same target.

BMO believes that responsibility for trade execution and delivery of trade confirmation and broker settlement information rests solely with the broker based on orders received from the investment manager. This information, referred to as an NOE in the CCMA ITP Best Practices and Standards, includes ISO 15022 compliant data elements containing dealer trade and settlement information. Based on this trade and settlement information the dealer and the investment manager would address errors and exceptions ***before*** allocations are sent out.

Since the investment manager is the only party to determine how trades are to be allocated and settled it should be the sole responsibility of the client to ensure trades are matched ***prior*** to communicating allocation information to the brokers and custodians. If matching occurs at this stage then matching on T+0 is a realistic target. This matching could be accomplished through using a local or central matching model.

If the current approach of requiring the broker and custodian to sort out the settlement details to allow for affirmation, then it is likely that unnecessary expense and processing will continue.

Currently there is no reference to the role of the custodian in the proposed rule. This should be addressed however it should be noted that if the responsibilities as identified above are adopted in a matching rule then the role of custodian is greatly reduced.

BMO would like confirmation that the proposed same day matching of trades will not affect the net asset value of a fund and that the industry will continue to adopt an effective T+1 entry for valuation purposes.

5. Is a close of business definition required? If so what time should be designated as close of business?

Yes. For the industry STP initiative the important cut off time is CDS's end of day processing time for recording that trades were confirmed/affirmed on T+0. All participants will need to review internal and counterparty processing times to

[4] A hub should include CRA tax implications, service level agreements, etc.

ensure file transmissions, error and exception handling can be completed for confirmation/affirmation by CDS's end of day. To meet this cut off time and have trades qualify for match or confirmation/affirmation status on T+0, participants may need to change processing times and have staff available to deal with exceptions.

6. **Should the Proposed Instrument expressly identify and require matching of each data element, or is it sufficient for the Proposed Instrument to impose a general requirement to match on T and rely on industry best practices and standards to address the details?**

While it is not necessary to have the specific data elements recorded in the National Instrument, it is recommended that this information be published by CDS and available on its website. The greatest challenge participants currently face in the processing of trades is incorrect or incomplete data. Publishing the data elements necessary for settlement of a trade will increase the likelihood of participants and vendors understanding the requirements for confirmation/affirmation of a trade.

7. **Should the CSA rely on the best practices established by the CCMA ITPWG?**

Yes. The ITPWG expended a great deal of effort to ensure that the data elements defined were consistent with the SIA's ITP Code of Practice and global trade processing standards. It would be counterproductive to redo this work.

Ownership and maintenance of the Best Practices and Standards needs to be defined if they are to be an industry reference point for CSA and SRO rules and STP going forward.

8. **The CSA seek comments on the scope of the Proposed Instrument. Have we captured the appropriate transactions and types of securities that should be governed by requirements to effect trade comparison and matching by the end of T and settlement by the end of T+3? Have we appropriately limited the role to public secondary market trades?**

Yes, the scope of instruments and public secondary market trades are appropriate for this matching rule.

9. Is the contractual method the most feasible way to ensure that all or substantially all of the buy side of the industry will match their trades by the end of T?

BMO is supportive of a rule to promote trade matching on T+0 . The inclusion of a good trade compliance agreement is a reasonable approach to accomplish this end in light of the limitations of the CSA's ability to extend its rules to cover all of the participants in the STP process. We believe that a more effective solution would be a co-ordinated set of rules from the CSA and various regulators in the financial industry. A rule which requires the broker-dealers to police their clients is clearly not optimum, and fraught with the potential for failure. It should also be noted that creation of such an agreement with clients might be a lengthy process.

It is recommended that the CSA prepare a standard good trade compliance agreement template to ensure it deals strictly with compliance to NI 24-401 and related SRO rules. This will be beneficial to all broker dealers and investment managers and will expedite the compliance process. A simple sign-off mechanism to permit registrants to acknowledge they understand the rule and are compliant is recommended as a way of avoiding formal bi-lateral or tri-lateral agreements amongst registrants.

10. Should an exception to the requirement to match a trade on T be allowed when parties are unable to agree to trade details before the end of T and are required, as a result, to correct the trade data elements before matching?

Yes, as long as participants are required to notify CDS that the trade can't match with a reason code to explain why.

11. Should registrants be required to report all exceptions from matching by the close of business on T? If so, who should receive the report?

BMO believes that the matching exception proposed is too vague and could be interpreted to permit participants to delay matching on T+0. It is recommended that if a trade cannot be matched on T+0 then it should be reported CDS with a reason code (either directly or through a third party). This will enable CDS and the industry to monitor the types of issues that are impeding matching on T+0. New reason codes may need to be developed to support this suggestion.

CDS, as the central depository, is in the best position to monitor industry matching and settlement rates and, as appropriate, provide reports to the industry and regulators.

12. Is it necessary to mandate the use of a matching service utility in Canada? If so, how would the appropriate central matching system be identified? Are there institutional investors or investment managers that may not benefit from being forced into a centralized matching system? Can STP trade matching be achieved without a matching service utility?

No, use of a central matching utility should not be mandated. Apart from the additional costs as noted in answer #1, third party technology vendors are now coming to market with solutions. It is anticipated that with the publication of proposed NI 24-401 more vendors will commit financial resources to research and development now that there is a clearly defined goal.

BMO is not supportive of the regulators dictating how a rule is to be met or what technology or business processes are used to meet that rule.

Small investment managers may not have sufficient order flow to justify the cost of using a matching utility service to support trade matching. They should be able to meet the target using existing or modified systems or processes. Mandating use of a matching service utility would put negative pressure on the profitability and business model that a firm chooses to employ.

Matching on T can best be accomplished by not mandating how it is to be performed, however, clarity on what is required and participant roles and responsibilities is necessary.

13. Should the scope of a matching utility be broader?

Only in that matching service utilities should support complete trade processing including cancels or amends that surface after a match trade has been reported to CDS.

14. Are the filing and reporting requirements set out in the Proposed Instrument for a matching service utility sufficient, or should a matching service utility be recognized as a clearing agency under provincial securities legislations?

As discussed above, BMO is not convinced that the scale of the Canadian market requires the use by any participants of a stand-alone matching service utility.

In the event that entrepreneurial forces are such that a vendor chooses to offer such a service, BMO is supportive of regulatory oversight of a matching service utility and the proposed forms regarding the introduction of a MU and reporting standards.

MUs should be required to report exceptions with reason codes to CDS for compilation and reporting to the industry and regulators.

MUs should not be recognized as clearing agencies since a dealer and custodian may be required to support multiple solutions based on client demand. MUs should be considered third party vendors with regulatory oversight given the important role they would play in managing trade matching services for participants.

BMO encourages the CSA to introduce oversight over other key infrastructure participants such as service bureaus, FundSERV, etc. The more standards there are in place for delivery of technology services essential to the operation of the marketplace the better. This would also allow for a regulatory vehicle to alert or consult with infrastructure participants in advance of introducing rules to the marketplace. A coordinated approach in assessing the feasibility of significant changes with infrastructure participants prior to introducing new rules would be more cost effective and increase the likelihood of successful implementation.

15. Can the Canadian capital markets support more than one matching service utility? If so what should be the interoperability requirements?

The overall cost to perform trading, clearing and settlement services will drive the technology decisions made by participants and the number of solutions in the marketplace. Since BMO is recommending that participation in matching service utilities not be mandated, natural market forces and competition will result in the most cost effective solutions thriving. Mandating participation in a MU would prevent normal competitiveness and vendor investment in research and development to the detriment of the marketplace.

16. Should the CSA mandate a T+3 settlement cycle? Should the CSA mandate a T+1 settlement cycle when the US moves to T+1 and the SEC amends its T+3 rule?

BMO does not believe that mandating T+3 would serve any useful purpose given the low fail rate in place today. However, CDS should introduce a pricing model that provides an incentive to the participants to settle on T+3. This is currently in place

in the UK with its Crest Settlement Discipline and Matching Rules. Substantial penalties are applied to participants that do not meet depository settlement targets. This approach should be taken to eliminate current Canadian fail rates of 2%, without introducing rules that may have a short shelf life. The CSA should, however, mandate T+1 when the SEC moves to T+1 and the SEC amends the T+3 rule. It should be noted that if the settlement cycle were advanced to T+1 then corporate actions events would need to be provided in advance of trade date to ensure accurate and timely calculation of the net asset value. This may require new timings for availability of information and standards that apply to issuers, custodians, dealers, fund companies, investment managers, etc. This may be addressed in the planned CSA paper on funds processing.

17. **Should the CSA require the reporting of corporate actions into a centralized hub? If not, is it more appropriate for exchanges and other marketplaces to impose this requirement through listing or other requirements? Who should pay for the development and maintenance of the hub?**
18. **Should the CSA wait until a hub has been developed by the industry before it imposes any requirement?**

In answer to questions 17 and 18, BMO recommends that the CSA review industry progress on developing a business case or implementing a corporate actions hub by July 1, 2005.

If, by that time, a business case has been prepared that confirms an entitlements hub is necessary for the Canadian marketplace, with buy-in from those entities that would use it, then a target date for implementation should be established prior to an advanced settlement cycle. To date, the industry has yet to develop a business case to support an entitlements hub. CDS and third party vendors have not developed solutions for Canada, and marketplaces have yet to make corporate actions conformance to industry best practices and standards a listing requirement.

An entitlements hub[4] should be paid for by the users of the data with fees levied for services rendered on a subscription basis or per use basis including issuers, banks, trust companies, dealers, transfer agents, etc.

A review of the Issuers' responsibilities, as they pertain to prospectuses and management of entitlements and corporate actions to eliminate duplication of processing and reporting should be undertaken. The related savings could be invested in developing and maintaining an entitlements hub.

Implementation of a corporate actions industry solution must include clear policies and penalties regarding non-compliance. An enforcement body should be identified and empowered with appropriate authority and tools to ensure it can effectively enforce compliance and measure Canada's progress against international

standards[5]. A deadline for regulatory review of progress would provide the necessary impetus for industry action.

Since the US is making significant progress towards having its STP Infrastructure in place by 2004, including an Entitlements Hub, Canada will be behind on a competitive level if action is not taken to address this deficiency.

19. Should the CSA require issuers and offerors to make their entitlement payments by means of the LVTS?

20. If there is a CSA requirement to make entitlement payments in LVTS funds, should the requirement apply only to payments in excess of a certain value? If so, what should that minimum value be?

Yes with regard to non-segregated funds. The current minimum value for LVTS payments should be gradually reduced so that if T+1 is mandated, all payments are electronically processed. Minimum amounts could be adjusted downward on a quarterly or semi-annual basis to allow for monitor of progress and resolution is issues or problems that arise.

For segregated funds, segregated fund companies will have to automate the way they process money movement.

BMO notes that in regard to interest and principal payments by cheque and the handling of estates, estates are paper intensive and, at various times, require original authorizing signatures by an Executor, or lawyers, etc. Currently it is not possible to transmit this type of information with an electronic funds transfer system. Client name accounts require a cheque to be issued if the payee is not a recognized financial institution. Electronic funds transfers with independent brokers who are not covered by the banking umbrella network are not possible because of a lack of bi-lateral agreements. Financial institutions cannot offer or link to a system, which could be open to non-secured users.

In addition, commission payments such as incentives should be paid via FundSERV's N$M system.

21. Should the CSA consider implementing any additional rules to encourage and facilitate the investment funds' industry move to

[5] BMO recommends that a Canada Entitlements solution be coordinated with the US, UK and other global jurisdictions.

an STP business model? If so, what issues should be addressed by the CSA?

Yes, BMO believes that there should be a single funds depository for Canadian fund settlement with a requirement that all distributors and manufacturers be participants of this utility. This will also allow for centralized processing, compliance with best practices and standards (ESG) and improved audit trail information for use by the regulators[6].

BMO recognizes that for many small manufacturers, this will represent additional costs and require significant changes in business and systems processing. Given the importance of the industry move to STP and the benefits that are accrued as systemic risk is removed from the industry through timely processing and settlement of transactions, it is worth the cost and, a necessary cost of doing business. Automation to support counterparty connectivity and timely processing of transactions will benefit the consumer.

The introduction of documentation agreements is considered a necessary step automating the funds trading and settlement process. We do not believe that it disadvantages the client in any way.

22. Should the CSA develop rules that require immobilization and, to the extent permitted by corporate and other law, dematerialization of publicly traded securities?

No, the CSA should not develop rules to support immobilization of securities. Immobilization perpetuates manual processing and inefficiencies in the system.

BMO does support the move to dematerialization and removal of barriers to accepting electronic signatures and electronic guarantees to eliminate ink signatures. It is believed that dematerialization is “low hanging fruit” that can yield substantial benefits and savings with limited negative impact. The demographics of investors indicate that this problem will resolve itself over time. Most of the financial services sector has moved to electronic representation of assets with appropriate guarantees in place and all age groups have accepted this evolution, e.g. banking.

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[6] The CSA TREATS initiative has clearly identified audit trail recording and reporting by broker dealers as a prerequisite to effective surveillance and investigations. By requiring upstream and downstream entities to move to electronic processing the quality of audit trail information will be enhanced.

There are operational issues that would need to be addressed within a large brokerage to ensure that dematerialization is coordinated with electronic credits of positions.

The securities industry should move in this direction by requiring new issues and IPO's to be in electronic form with settlement consistent with other securities, e.g. T+3, or in the future T+1. A pre-requisite to this is electronic access to prospectuses. Not only would this reduce costs, but would improve the timeliness and expand the reach of information over the Internet. Once this occurs, saving should make their way up the chain as a savings to the customer.

23. To the extent DRS systems operate in Canada, should a securities regulatory authority regulate transfer agents that are operating or using such DRS systems?

Yes, given the importance DRS systems play in maintaining client holdings, it is important that they are viewed as essential infrastructure participants such as a matching utility service or depository. This would entail regulatory oversight.

BMO is not supportive of efforts to encourage investors to move from nominee form to DRS for commercial benefit of the DRS system.

24. Should there be separate DRS systems and should they be required to be inter-operable?

As with any third party vendor technology, DRS systems will thrive if an open competitive market exists however interoperability compliance with industry best practices and standards is necessary.

25. Is it sufficient for the Canadian capital markets to rely solely on existing SRO segregation rules? Or given the growing reliance on the indirect holding system, should the CSA consider an active role in developing comprehensive rules on segregation of customer assets? If existing rules are satisfactory, why?

Recent changes in the bankruptcy laws have had an impact on what the segregation rules actually mean, and call into question whether the current segregation rules are doing what most people think they are doing. For this reason, it is appropriate that segregation rules be reviewed.

July 15, 2004

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Dear Ms. Armstrong:

Re: B.C. Securities Commission Additional Questions – CSA 24-401 (BC Notice 2004/25)

BMO Financial group appreciates the opportunity to respond to the additional questions the B.C. Securities Commission has posed with respect to the CSA STP Discussion Paper NI 24-401 on Straight Through Processing dated April 16, 2004.

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BMO performs a multitude of roles in the securities marketplace including that of broker dealer, investment manager and custodian. As such, it is well positioned to comment on the CSA Discussion Paper on straight through processing and to respond to the BCSC request for comment.

BMO strongly encourages the SEC and CSA to align matching and settlement rules.

BMO offers the following additional comments on those questions raised by the BCSC.

1. ***Is the Rule necessary?***

BMO is supportive of a CSA rule mandating matching on T+0, which should be accompanied with clear roles and responsibilities for participants. The diverse nature of financial markets leads us to believe, however, that a single rule will not be sufficient to ensure the compliance of all participants. Market participants must include investment managers, broker dealers and custodians, all essential to the settlement of a trade. To that end, we recommend that the CSA rule be part of an integrated set of rules enacted by the SROs, Regulators, Exchanges, and Depositories to ensure that the result is truly seamless. To that end, it may be premature to enact the CSA rule in isolation, without co-ordination with other rule-making entities.

BMO believes that the CSA should introduce a rule to advance the settlement cycle only if the SEC introduces such a rule and only after the capability to match on T has reached >95%. A move to T+1 settlement would remove systemic risk from the system; enable clients to have accurate information about their assets with finality the next trading day and harmonize equity and fixed income markets with that of banking, derivatives and debt markets.

2. ***Can industry achieve STP without regulatory intervention?***

The CSA should be one of the regulatory bodies to mandate matching on T. We remain of the opinion that the compliance of all market participants can only be assured if there is a co-ordination of rules among the regulators and the SROs. Requiring the broker-dealers to police the actions of their clients through contractual "STP agreements" is too indirect and prone to failure. Rules intended to capture all market participants must include investment managers, broker dealers and custodians, all essential to the settlement of a trade.

BMO believes that the July 1, 2005 implementation date is not achievable based on industry progress to date. BMO does, however, support the CSA introducing an implementation date that would allow for meaningful benchmarking of confirmation and affirmation rates. BMO is in favour of phasing in matching on T+0 but at a pace that will align progress with the US. As with the IDA Rule 800 dealing with matching of DP trades, a June 2004 implementation date was established with no penalties until 2005. This ensures all market participants are clearly aware of the rule and target and provides a reasonable timeframe for readiness before penalties are introduced. While initially the matching rate on T+0 may not be at 100%, we would be in a better position to understand why since all participants would have the same target.

3. ***If the Commission adopts the Rule, should the Rule include filing and reporting requirements for matching service providers?***

As noted above, BMO is not convinced that the scale of the Canadian market requires the use by any participants of a stand-alone matching service utility.

In the event that entrepreneurial forces are such that a vendor chooses to offer such a service, BMO is supportive of regulatory oversight of a matching service utility and the proposed forms regarding the introduction of a MU and reporting standards. This oversight should not, however, be predicated on a rule mandating use of a MU by a participant. MUs should be required to report exceptions with reason codes to CDS for compilation and reporting to the industry and regulators.

Please call if you have any questions.

Sincerely,

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