CIBC Mellon Global Securities Services Company
CIBC Mellon Trust Company

May 2, 2006

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland & Labrador
Registrar of Securities, Northwest Territories
Legal Registries Division, Nunavut
Registrar of Securities, Yukon Territory

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Re: Proposed National Instrument 24-101 Institutional Trade Matching and Settlement, and Proposed Companion Policy 24-101CP to National Instrument 24-101 Institutional Trade Matching and Settlement

CIBC Mellon is pleased to provide its comments on Proposed National Instrument 24-101 Institutional Trade Matching and Settlement, and Proposed Companion Policy 24-101CP to National Instrument 24-101. We acknowledge and appreciate the extensive efforts of the CSA in developing the Proposed Instrument.

CIBC Mellon is a leading Canadian custodial services provider and corporate trust and transfer agent. We offer a broad range of specialized services, including stock transfer, registrar, debt trusteeship, investor services, domestic and global custody services and securities lending. We are driven by the needs of our 2500 institutional clients who are some of Canada's largest securities issuers and institutional investors. CIBC Mellon has over 1,400 employees with offices in six major cities across Canada.

CIBC Mellon, as a custodian, fully understands the benefits the Proposed Instrument aims to bring to Canada's capital markets in terms of maintaining our markets competitiveness, reducing credit risk, lowering operational risk and increasing productivity.

We are providing our comments to the specific questions addressed in the CSA notice on Proposed Instrument 24-101 – Institutional Trade Matching and Settlement, and Proposed Companion Policy 24-101CP to National Instrument 24-101 Institutional Trade Matching and Settlement, as set-out below.

Part 1 Definitions and Interpretation

Question 1: Should the definition of "institutional investor" be broader or narrower?

We believe that the definition as written in the Proposed Instrument, is fairly definitive and captures the 'investors' involved in the trades that, as a custodian, we are customarily requested to settle on behalf of our clients.

Question 2: Does the definition of "trade-matching party" capture all the relevant entities involved in the institutional trade matching process?

The current definition of a "trade-matching party", in the Proposed Instrument, captures all the relevant parties involved in the institutional trade-match processes that, as a custodian, we are routinely involved with.

Question 3: The scope of the matching requirements of the Instrument is limited to DAP or RAP trades. Should the requirements be expanded to include other trades executed on behalf of an institutional investor? Should the requirements capture trades executed with or on behalf of an institutional investor settled without the involvement of a custodian?

We believe that limiting the scope to DAP or RAP trades is appropriate and should not be expanded to include other types of trades executed on behalf of an institutional investor. We also believe that the stated requirements should capture all trades, executed with or on behalf of, an institutional investor, that settle without the involvement of a custodian.

Part 3 Trade-Matching Requirements

Question 4: Are each of these methods (compliance agreement and signed written statement) equally effective to ensure that the trade-matching parties will match their trades by the end of T? Should trade-matching parties be given a choice of which method to use?

According to the Proposed Instrument, a registered dealer/adviser shall not open an account to execute a DAP or RAP trade for an institutional investor, or accept an order to execute a DAP or RAP trade for the account of an institutional investor, unless each trade-matching party has either entered into a compliance agreement or signed a written statement.

The custodian, as defined in the Proposed Instrument, is a 'trade-matching party" however, the custodian is not a party to the account opening process between the registered dealer/advisor and the institutional investor; nor is the custodian a party to the execution of the trade for, or on behalf of, an institutional investor. CIBC Mellon, as custodian, already has policies and procedures in place to ensure the timely settlement and processing of trade instructions. As such, we do not believe it is necessary, nor is it effective, to have the custodian enter into a compliance agreement or provide a signed written statement.

Furthermore, if such a document is determined to be a requirement, it should be an industry-wide standardized document that is utilized by all trade-matching parties, without further negotiation. Perhaps such an industry acceptable document/attestation/certification should be centrally filed by the trade-matching parties to alleviate the negotiation and execution process.

Electing to have alternative forms of documentation will result in disparities between the parties and should one trade-matching party elect to utilize an agreement, and another elects to execute a written statement, as a matter of corporate policy, how do the trade-matching parties achieve parity in the documentation?

Part 4 Reporting Requirements for Registrants

Question 5: Will exception reports enable practical compliance monitoring and assessment of the trade matching requirements?

CIBC Mellon is unable to provide comment on the practicality of the exception reporting as Form 24-101F1 of the Proposed Instrument does not specify the format requirements for exception reporting. We believe there is a great deal of uncertainty within the industry and among registrants with regard to the exception reporting requirements. As such, it is very important that the reporting requirements be clearly defined in the Proposed Instrument so that all registrants provide reporting that is identical in content as well as format.

Additionally, it is vital that the information contained in the exception reports be specific and relevant to the role of the trade-matching party, i.e. registered brokers/dealers should only be reporting information as it pertains to the timing of when trades were entered into CDSX. However, it should be noted that not all trade-matching parties are direct participants of the Canadian Depository for Securities (CDS), as such, they may not be in a position to access the required information for exception reporting purposes.

As well, the Proposed Instrument states that exception reporting may be outsourced to a third party such as the central clearing agency or custodian. We believe that consideration should also be given to include the executing broker/dealer as a potential outsourcing party. However, there should be no assumptions made that these parties will choose to offer this type of reporting service.

Question 6: Is it necessary to require custodians to do exception reporting in order to properly monitor compliance with this Instrument?

Given the reporting currently available through CDS and the registrants obligations to report and comply, any exception reporting made by a custodian would be duplicative.

Furthermore, if custodians are ultimately required to do exception reporting, CIBC Mellon is not in a position to comment until we have a clear understanding of exactly what the exception reporting requirements will be (see response to question number five above).

Part 10 Effective Date and Transition

Question 7: Is it feasible for trade-matching parties to achieve a 7:30 p.m. on T matching rate of 98 percent by July 1, 2008, even without the use of a matching service utility in the Canadian capital markets?

While we believe that the objective to match 98 percent of trades on trade-date by July 1, 2008 is laudable, we do not believe that this objective is achievable unless the industry immediately adopts the Canadian Capital Markets Association's – Canadian Securities Marketplace Best Practices and Standards for Institutional Trade Processing.

Information provided by CDS will reveal trends and provide a reasonable measure to determine the feasibility of attaining the end goal and target date.

Question 8: Are the transitional percentages outlined in Part 10 of the Instrument practical? Please provide reasons for your answer.

As a custodian, it is very difficult for CIBC Mellon to realistically comment on the practicality of the transitional percentages, as our ability to comply to the prescribed thresholds and timelines is entirely dependent upon the trade executing parties, i.e. the broker/dealer and the institutional investor.

We are also providing additional observations and comments relating to the Proposed Instrument in point form, that may be of interest to the CSA, as follows:

- As a custodian, we may experience difficulties conforming to the Proposed Instrument to match trades on trade-date for those trades that are executed by registrants in the Canadian marketplace on behalf of:
    a) foreign financial institutional investors, due to international time zone differences.
    b) institutional investors that hold securities though a financial intermediary who is not a trade-matching party, as defined in the Proposed Instrument.

- Part 3.1 of the Proposed Instrument states that trades executed after 4:30 p.m. ET are to be matched by T+1. We do not believe that the time of execution is known by the Canadian Depository for Securities, for reporting purposes nor is the time of execution known by the custodian, for trade-matching purposes.

- To ensure compliance with Canadian market best practices, we believe that a trade-matching service utility should be required to offer its participants the ability to match trades both at a block-level and at a trade-for-trade level.

- In the absence of standardized documentation (see response to question number four), there will be a need to develop transitional provisions for the execution of the necessary documentation. The July 1, 2006 date is not feasible, if there are no grandfathering provisions implemented with respect to opening institutional accounts.

If you have any questions on our submission, or if you would like to discuss our comments in greater detail, please contact me at 416-643-5240.

Yours truly,

Robert Shier
Senior Vice President
Chief Operations Officer