

May 3, 2006

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**CANADIAN SECURITIES ADMINISTRATORS'  
NOTICE AND REQUEST FOR COMMENT ON  
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**

Dear Mr. Stevenson:

The TD Bank Financial Group (TDBFG) appreciates the opportunity to review and comment on the proposed National Instrument 24-101 Institutional Trade Matching & Settlement and proposed Companion Policy 24-101CP.

The response was developed through meetings and conversations with representatives from the internal business units within TDBFG who represent or support the different entities within the trade matching party definition.

**Question 1: Should the definition of “institutional investor” be broader or narrower?**

The definition should be redefined to focus exclusively on institutional investors with DAP or RAP transactions. Under the present definition, retail transactions where clients may process their trades on a DAP/RAP basis are subject to the regulation. While they may meet the portfolio dollar value they are retail accounts and should not be subject to the requirements of NI24-101. The size of the transaction is not the driver of this, neither is the size of the account. There is a significant danger in this definition that would bring in many investors who do not engage in these types of trades.

Proposed definition of an institutional investor

While we understand the intention of the CSA to expand on the original scope of the instrument to include activity for ‘any person or company other than an individual’ we believe that this can be accomplished simply by applying the instrument to all accounts for ‘any person or company other than an individual’ where the trades clear through a central clearing agency on a delivery against payment/receipt against payment basis. As well, the definition of a custodian should be further expanded to include a registered dealer.

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

Yes the definition captures all relevant entities for institutional accounts who maintain their assets with a custodian. However, we suggest that the definition of custodian be expanded to include a registered dealer who may provide custodial services for an institutional client. Note: Refer to the proposed definition in question 1 that would expand the custodian to include a registered dealer.

**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?**

No. We do not support additional expansion of NI24-101 to include other trades executed on behalf of an institutional investor that settle without the involvement of a custodian. Furthermore, the scope should be amended to eliminate any transactions for a retail client who may deal on a DAP/RAP basis with another firm who would act as the custodian for the retail client.

**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?**

It is our opinion that either the compliance agreement or signed written statement will be equally effective in meeting the requirement. However, the requirement for each trade matching party to provide a compliance agreement or signed written statement to each party will be an onerous task given the number of clients, firms and custodians that may be utilized. If NI24-101 is regulated to include this requirement then we would recommend that you incorporate into the instrument a standard agreement and statement format that would be consistent across all parties. We are concerned as to the timeline for the development of policies & procedures by all trade matching parties as well as the requirement to complete and submit the compliance agreement or signed written statement. We would suggest that a transition period within the time frame of the first reporting deadline be included within the instrument. As well, all dealers should be required to adhere to the same timeline so that no dealer is at a disadvantage over other dealers.

We further recommend that each party have the option to complete a single generic document that will be sufficient in meeting their requirement with all of their trade matching parties. We support the option for each trade matching party to have the choice as to the method of use and both should be considered acceptable from an audit and compliance perspective.

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

While in general agreement with the principle of the recommendation within NI24-101 the process whereby the regulated clearing agency is required to provide information 30 days after the quarter end does not provide sufficient lead time for the broker/dealer to review and respond to the regulator for exception reporting purposes within the 45 day after end of quarter requirement. We would recommend that if this exception reporting is adopted, that the regulated clearing agency provides, at a minimum, monthly reports to the registrant. This will ensure prompt attention to any issues and allow sufficient lead time to develop and implement any enhancements or address client specific issues prior to the completion of the quarter.

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

No. While status and exception reporting would be beneficial to the other trade matching participants, we do not support its inclusion within the Instrument at this time. The information provided by the regulated clearing agency and the exception reporting of the broker/dealer should be sufficient to meet the exception reporting requirements. However, as a key participant in the trade matching process, it would be appropriate for custodians to

respond to the information reported by the regulated clearing agency directly to their clients.

**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?**

We believe that no set time should be used, which would enable us to perform on a similar basis to the U.S. We understand that the DTCC uses 1:30a.m (T+1) to determine its end of day statistics for the prior day (T). While we recognize the reasons for the present deadline of 7:30 p.m. at CDS, we do not support using the same cutoff time for the trade matching participants. The instrument should be amended to extend the matching deadline to ensure that sufficient lead time is provided to all participants.

Under the cut off time 7:30 p.m. outlined within the instrument, it is further noted that the registered advisor/institutional client has until 7:30pm to enter transactions (refer Part 3- 3.1). If the client should elect to provide the trade details close to the 7:30pm deadline, this does not provide sufficient lead time for the trade matching parties (the broker/dealer and custodian) to meet their requirements to match the transactions by the 7:30 CDS deadline. The regulation will require amendment to allow for all parties to meet their requirements and/or the CDS deadline will have to be extended.

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

No. Given the present status of the marketplace (statistics as provided by CDS), it is unlikely that some of the firms will be able to meet the percentage requirements as outlined in the draft regulation. The initial requirement to match 70% of the transactions by noon on T+1 will provide challenges to most trade matching parties but we do believe that it is obtainable. However, consideration should be given to reduce the requirements and percentages in the subsequent timeframes. We have noted hereunder, a new grid for consideration that will adjust the percentages and extend the completion date to the end of 2008.

**Original timeline**

<b>For trades executed:</b>	<b>Matching deadline for trades executed before 4:30 p.m. on T (Part 3 of Instrument)</b>	<b>Percentage trigger of DAP or RAP trades for registrant exception reporting (Part 4 of Instrument)</b>
after December 31, 2006, but before July 1, 2007	12:00 p.m. (noon) on T+1	Less than 70% matched by deadline
after June 30, 2007, but before January 1, 2008	7:30 p.m. on T	Less than 80% matched by deadline
after December 31, 2007, but before July 1, 2008	7:30 p.m. on T	Less than 90% matched by deadline
after June 30, 2008	7:30 p.m. on T	Less than 98% matched by deadline

**Draft for Revised timeline**

<b>For trades executed:</b>	<b>Matching deadline for trades executed before 4:30 p.m. on T (Part 3 of instrument)</b>	<b>Percentage trigger of DAP or RAP trades for registrant exception reporting (Part 4 of Instrument)</b>
after December 31, 2005, but before July 1, 2007	12:00 p.m. (noon) on T+1	Less than 70% matched by deadline
after June 30, 2007, but before January 1, 2008	12:00 p.m. (noon) on T+1	Less than 80% matched by deadline
after December 31, 2007, but before July 1, 2008	End of day on T	Less than 80% matched by deadline
after June 30, 2008 but before January 1, 2009	End of day on T	Less than 90% matched by deadline
after December 31, 2008	End of day on T	Less than 95% matched by deadline

Sincerely,

Gerry J. O'Mahoney  
 Senior Vice President  
 TD Wealth Management Operations

CC:

British Columbia Securities Commission

Alberta Securities Commission

Saskatchewan Financial Services 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