

Chapter 6

Request for Comments

6.1.1 CSA 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

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

I. INTRODUCTION

The Canadian Securities Administrators (the CSA or we) are publishing the following revised documents for a 60 day comment period:

- Proposed National Instrument 24-101 — *Institutional Trade Matching and Settlement* (Instrument), and
- Proposed Companion Policy 24-101CP — to National Instrument 24-101 – *Institutional Trade Matching and Settlement* (Companion Policy).

The comment period will end on May 2, 2006.

II. BACKGROUND

On April 16, 2004, the CSA published the following documents for comment (collectively, the 2004 Documents):¹

- CSA Discussion Paper 24-401 on Straight-through Processing (STP) and Request for Comments (Discussion Paper 24-401),
- Proposed National Instrument 24-101 — *Post-Trade Matching and Settlement* (2004 Instrument), and
- Proposed Companion Policy 24-101CP — *Post-Trade Matching and Settlement* (2004 Companion Policy).

The CSA invited public comment on all aspects of the 2004 Documents and specifically requested comment on 21 questions. We received 26 comment letters. A summary of the comments and our responses were published in CSA Notice 24-301 dated February 11, 2005 (Notice 24-301).²

Most commenters thought the 2004 Documents were helpful in focusing the discussion on various clearing and settlement issues the industry is currently facing. The majority of comments, including some from the buy-side community, supported a CSA rule requiring institutional trade matching on trade date (T). However, almost all of these commenters found it unfeasible to require institutional trade matching on T by July 1, 2005. Rather, the consensus was for the rule to phase-in the requirement to match institutional trades on T, starting with T+1 and gradually shortening the period to T when the industry is ready. Commenters felt that incremental steps would provide market participants with an opportunity to address a number of concerns about an accelerated confirmation and affirmation process.

The STP initiatives in Canada have largely been driven by the Canadian Capital Markets Association (CCMA), which was founded in 2000 by the industry to provide the necessary leadership for reaching STP goals. As discussed in Notice 24-301, the CCMA decided in early 2005 to realign its priorities and focus its efforts on institutional trade processing. As a result of this new focus, the CCMA reshaped its committee structure by folding a number of working groups and creating an Institutional Program Steering Committee that oversees six new subcommittees. The subcommittees are mandated to address various different objectives for achieving institutional trade matching on T. The CCMA has also employed a new executive director and program

¹ In Ontario they were published at (2004) 27 OSCB 3971.

² In Ontario they were published at (2005) 28 OSCB 1509.

director, who have developed specific timing objectives and are developing a critical path to be completed in 2006. In July 2005, the CCMA Board of Directors strongly recommended that the CSA implement an institutional trade matching rule as soon as possible in order to push the industry towards adopting the necessary policies and procedures for matching institutional trades on T.

III. SUBSTANCE AND PURPOSE OF INSTRUMENT AND COMPANION POLICY

In response to comments received, and after further consideration by the CSA, the 2004 Instrument and 2004 Companion Policy have been materially revised. The purpose of the Instrument is to provide a general framework in provincial securities legislation for ensuring more efficient and timely settlement processing of trades, particularly institutional trades. The Instrument requires registered dealers and registered advisers to have reasonable policies and procedures in place to achieve *matching* of trades as soon as practicable after the trade has been executed and in any event no later than the prescribed timelines. The Instrument requires each *trade-matching party* to enter into a compliance agreement with the registered dealer or registered adviser or, alternatively, provide a signed written statement to the dealer or adviser before an account for an institutional investor can be opened. The Instrument also requires dealers to have reasonable policies and procedures in place to facilitate settlement of trades by the standard settlement date.

The purpose of the Companion Policy is to assist the industry in understanding and applying the Instrument and to explain how we will interpret or apply certain provisions of the Instrument.

IV. SUMMARY OF INSTRUMENT

A. Main Comments on the 2004 Instrument

As mentioned above, a majority of commenters responding to the publication for comment of the 2004 Documents were of the view that the CSA should implement an institutional trade matching rule. However, they raised the following key issues about such a rule: (i) concerns with mandating the requirements through a contractual obligation only among the various parties involved in the institutional trade process; (ii) questions regarding the role of the self-regulatory organizations (SROs) in this initiative; and (iii) the timing of the obligations to match trades on T.

B. Summary of Instrument and Material Changes

The Instrument is divided into ten parts.

Part 1 Definitions and Interpretation

Part 1 of the Instrument contains defined terms and an interpretative section. The terms “institutional client”³ and “relevant party”⁴ in the 2004 Instrument have been replaced with “institutional investor” and “trade-matching party”, respectively.

An institutional investor is any person or company, other than an individual, that has net investment assets of at least \$10,000,000 as shown on its most recently prepared financial statements. It is also any person or company holding securities through a custodian, whether or not the person or company is an individual or has net investment assets of at least \$10,000,000. Most institutional investors, such as pension and mutual funds, hold their assets through custodians. However, others may not – such as hedge funds – which sometimes maintain their investment assets with dealers under so-called *prime-brokerage* arrangements. Paragraph (a) of the definition “institutional investor” ensures that the scope of the Instrument includes those institutional investors that do not necessarily use custodians.

A trade-matching party, is in relation to a trade executed with or on behalf of an institutional investor, any of the following persons or companies: a registered adviser acting for the institutional investor in the trade; if a registered adviser is not acting for the institutional investor in the trade, the institutional investor; a registered dealer executing or clearing the trade; or a custodian of the institutional investor settling the trade.

Definitions of the terms “delivery-versus-payment”⁵ and “receive-versus-payment”⁶ in the 2004 Instrument have been omitted in this Instrument. Instead the Instrument applies to “DAP or RAP trades”, which are trades in a security for which settlement is made on a delivery against payment or receipt against payment basis. The matching requirements of the Instrument apply to

3 The term “institutional client” was defined in the 2004 Instrument as a person or company, including a portfolio adviser, that appoints a custodian to hold securities on his, her or its behalf.

4 The term “relevant party” was defined in the 2004 Instrument as a person or company involved in the process of comparing trade data that must agree to the details of trade in securities.

5 The term “delivery-versus-payment” was defined in the 2004 Instrument, as in relation to a purchase or sale of a security, a service available to the buyer which allows him, her or it to pay for the security when the security is delivered at settlement.

6 The term “receive-versus-payment” was defined in the 2004 Instrument, as in relation to a purchase or sale of a security, a service available to the seller which allows him, her or it to deliver the security when payment is received at settlement.

DAP or RAP trades whether or not settled by a custodian.

While the concept of *matching* in the Instrument is generally the same as in the 2004 Instrument, the provision that describes the concept has been considerably simplified. Sections 1.2 and 1.3 of the 2004 Instrument have been replaced with a basic interpretive provision in section 1.2 of the Instrument, which provides that matching is a process by which the details and settlement instructions of an executed trade are reported, verified, confirmed and affirmed or otherwise agreed to among the trade-matching parties.

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

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

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?

Part 2 Application

Part 2 of the Instrument is largely the same as the 2004 Instrument. The Instrument does not apply to the following: a distribution of a security; a trade in a security of a mutual fund to which National Instrument 81-102 – *Mutual Funds* applies; a trade in a security to be settled outside of Canada; or a trade in an option or futures contract that is cleared through a clearing house.

Part 3 Trade Matching Requirements

(a) Policies and procedures

Sections 3.1 and 3.3 of the Instrument generally refocus the obligations of the trade-matching parties discussed in the 2004 Instrument from taking all “necessary steps” to match a trade to adopting appropriate policies and procedures to achieve matching. This new approach is consistent with regulatory approaches taken in other areas, such as the investor confidence initiatives, and by other regulators outside Canada.⁷

Section 2.4(1) of the Companion Policy states that, when establishing appropriate policies and procedures, a party should consider the best practices and standards for institutional trade processing that have generally been adopted by the industry.⁸ It should also include those policies and procedures in its regulatory compliance and risk management programs.

(b) Compliance agreement or signed written statement

We considered a number of alternatives to requiring a trade matching compliance agreement. Sections 3.2 and 3.4 of the Instrument now provide that a trade-matching party may either (i) enter into a compliance agreement or (ii) provide a signed written statement confirming that each trade-matching party has appropriate policies and procedures to achieve matching as soon as practicable after a trade is executed.

Registered dealers and registered advisers are required to use reasonable efforts to monitor compliance with and enforce the terms of the compliance agreement. Section 2.3(2) of the Companion Policy states that a single compliance agreement is sufficient for the general and all sub-accounts of the institutional customer.

Trade-matching parties do not need to enter into a compliance agreement if they have provided a signed written statement to the registered dealer or registered adviser. The signed written statement is an alternative to the contractual approach. Section 2.3(3) of the Companion Policy states that a registered dealer or registered adviser may rely on the written statement signed by the chief executive of the trade-matching party without further investigation, unless the dealer or adviser has knowledge that any statements or facts set out in the written statement are incorrect. A single signed written statement is sufficient for the general

⁷ See National Association of Securities Dealers, Inc. (NASD) Rule 3013 *Annual Certification of Compliance and Supervisory Processes* which requires each NASD member firm’s chief executive officer to certify annually that senior executive management has in place processes to establish, maintain, and review policies and procedures reasonably designed to achieve compliance with applicable NASD rules, Municipal Securities Rulemaking Board rules, and federal securities laws and regulations. Rule 3013 can be found at http://nasd.complinet.com/nasd/display/display.html?rbid=1189&element_id=1159000466.

⁸ The CCMA released in December 2003 the final version of a document entitled *Canadian Securities Marketplace Best Practices and Standards: Institutional Trade Processing, Entitlements and Securities Lending* (CCMA Best Practices and Standards White Paper) that sets out best practices and standards for the processing for settlement of institutional trades, the processing of entitlements (corporate actions), and the processing of securities lending transactions. The CCMA Best Practices and Standards White Paper can be found on the CCMA website at www.ccma-acmc.ca.

and all sub-accounts of the institutional customer.

Section 2.3(1) of the Companion Policy states that the purpose of a compliance agreement or signed written statement is to establish that all trade-matching parties have appropriate policies and procedures in place to ensure an institutional trade is matched as soon as practicable after the trade has been executed.

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?

Part 4 Reporting Requirements for Registrants

Part 4 of the Instrument contains a new *exception* reporting requirement for registrants. A registrant is required to complete and file Form 24-101F1 and related exhibits only if less than 98 percent of the DAP or RAP trades executed by or for the registrant in any given calendar quarter have matched within the prescribed deadline. Form 24-101F1 requires registrants to report information on the circumstances or underlying causes that resulted in, or contributed to the failure to achieve the percentage threshold of matched DAP or RAP trades within the deadline prescribed by Part 3 of the Instrument. Section 3.1 of the Companion Policy states that the reporting requirements apply to DAP and RAP trades, whether or not settled by a custodian.

The 98 percent threshold is effective as of July 1, 2008. Pursuant to Part 10 of the Instrument, the 98 percent threshold is being gradually phased in for trades executed after the Instrument comes into force on July 1, 2006 and before July 1, 2008.

Exception reporting by registrants will facilitate monitoring and assessment by the Canadian securities regulatory authorities or the SROs of the Instrument's trade-matching requirements. Such exception reporting will be supplemented by the filings of regulated clearing agencies and matching service utilities pursuant to Parts 5 and 6, respectively, of the Instrument.

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

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

Part 5 Reporting Requirements for Regulated Clearing Agencies

Part 5 of the Instrument contains a new requirement for a regulated clearing agency to file quarterly information relating to the matching activities of their participants. Section 3.3 of the Companion Policy states that the purpose of this information is to facilitate monitoring and enforcement by the Canadian securities regulatory authorities or SROs of the Instrument's matching requirements.

Part 6 Requirements for Matching Service Utilities

Part 6 of the Instrument sets out the filing, reporting, systems capacity, and other requirements of a matching service utility. Trade-matching parties are not required to use the facilities or services of a trade matching utility to accomplish matching of trades within the prescribed deadline. However, if any person or company intends to carry on business as a matching service utility, the person or company must file Form 24-101F3 at least 90 days before it begins to carry on business as a matching service utility. If there is a significant change to the information filed in Form 24-101F3, section 6.2 of the Instrument requires that the matching service utility file an amendment to the information provided at least 45 days before implementation. The type of information considered to be significant has been expanded to include, among other things, information relating to constating documents, ownership, and independent systems audits.

Section 4.2 of the Companion Policy states that the Canadian regulatory authorities will review Form 24-101F3 to determine whether the person or company who filed the form is an appropriate person or company to act as a matching service utility for the Canadian capital markets.

Section 6.4(1) of the Instrument requires matching service utilities to file Form 24-101F5 no later than 30 days after the end of a calendar quarter. Section 4.4(1) of the Companion Policy states that the information filed quarterly by the matching service utility will allow regulators to monitor a matching service utility's operational performance and management of risk, the progress of inter-operability in the market, and any negative impact on access to the markets.

Part 7 Trade Settlement by Registered Dealer

The 2004 Instrument's T+3 settlement rule has been replaced with a general obligation on dealers to have reasonable policies and procedures in place to facilitate settlement of trades for no later than the standard settlement date prescribed by the SROs.

Section 7.1 of the Instrument is intended to support and strengthen the general settlement cycle rules of the SROs.

Part 8 Equivalent Requirements of Self-regulatory Entities and Others

Section 8.1 of the Instrument states that a regulated clearing agency, marketplace or matching service utility will be required to have rules or other instruments to promote compliance by its members, participants or users with the requirements of Parts 3 and 7 of the Instrument. Section 8.2 of the Instrument states that a member of a self-regulatory entity will be considered to be in compliance with the Instrument if it is in compliance with a rule or other instrument of the self-regulatory entity dealing with the same subject matter. These new provisions have been included in part to respond to comments suggesting that the self-regulatory entities be more involved in promoting an institutional-trade matching rule.

Part 9 Exemption

Pursuant to Part 9, the regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part.

Part 10 Effective Date and Transition

Pursuant to section 10.1 of the Instrument, this Instrument comes into force on July 1, 2006. The 7:30 p.m. on T deadline referenced in Part 3, and the 98 percent threshold referenced in Part 4 of the Instrument, are being gradually phased in for trades executed after the Instrument comes into force on July 1, 2006 and before July 1, 2008 in the following manner:

For trades executed:	Matching deadline for trades executed before 4:30 p.m. on T (Part 3 of Instrument)	Percentage trigger of DAP or RAP trades for registrant exception reporting (Part 4 of Instrument)
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

These new transitional provisions have been included in part to respond to comments suggesting that the Instrument provide for the phasing in of the matching requirements.

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?

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

V. SUMMARY OF COMPANION POLICY

The Companion Policy has been amended to reflect the changes to the Instrument. The Companion Policy provides guidance on the Instrument's matching requirements, including the requirements of registrants to have reasonable policies and procedures in place to ensure timely matching of trades and to enter into a compliance agreement with, or alternatively to receive a signed written statement from, each of the relevant trade-matching parties confirming that such parties have also policies and procedures in place to ensure timely matching of trades. In addition, the Companion Policy briefly explains the registrant exception-reporting filing requirements and the filing requirements of regulated clearing agencies and trade matching utilities.

VI. AUTHORITY FOR INSTRUMENT IN ONTARIO

In Ontario, the Instrument is being made under the following provisions of the *Securities Act* (Ontario) (Act):

- Paragraph 11 of subsection 143(1) of the Act allows the Commission to make rules *regulating* the listing or trading of *publicly traded securities*, including requiring reporting of trades and quotations.
- Paragraph 2(i) of subsection 143(1) of the Act allows the Commission to make rules in respect of *standards of practice and business conduct of registrants in dealing with their customers and clients and prospective customers and clients*.
- Paragraph 12 of subsection 143(1) of the Act allows the Commission to make rules regulating recognized stock exchanges, recognized self-regulatory organizations, recognized quotation and trade reporting systems, and recognized clearing agencies.

VII. ALTERNATIVES TO INSTRUMENT CONSIDERED

In proposing the Instrument, the CSA had considered as an alternative not implementing any regulatory requirement, relying instead primarily on the SROs to impose matching by the end of T. We believe that market participants are seeking assurances that, before they invest in the necessary financial and technological resources to improve institutional trade processing, a requirement to complete matching by the end of T will become a rule subject to compliance and enforcement by the Canadian securities regulatory authorities.

VIII. UNPUBLISHED MATERIALS

In proposing the Instrument, the CSA have not relied on any significant unpublished study, report, or other material.

IX. ANTICIPATED COSTS AND BENEFITS

Please refer to Discussion Paper 24-401, in particular *Part I: The Canadian Securities Clearing and Settlement System and Straight-through Processing — C. Why is STP important to the Canadian capital markets?*

In summary, the CSA are of the view that the Instrument offers several benefits to the Canadian capital markets, including but not limited to the following:

- reduction of processing costs due to development of STP systems;
- reduction of operational risk due to development of STP systems;
- protection of Canadian market liquidity;
- reduction of settlement risk; and
- overall mitigation of systemic risk in, and support of the global competitiveness of, the Canadian capital markets.

The CSA recognize, however, that implementing the Instrument may entail costs, which will be borne by market participants. In the CSA's view, the benefits of the Instrument justify its costs. General securities law rules that require market participants to have policies and procedures to complete matching before the end of T and settle trades within the standard settlement periods (e.g., T+3) will augment the efficiency and enhance the integrity of capital markets. It promises to reduce both risk and costs, generally benefit the investor, and improve the global competitiveness of our capital markets. In addition, in assessing the anticipated costs and benefits of the Instrument to the industry, we carefully considered the industry's express desire for CSA regulatory action in this area.

X. REGULATIONS TO BE AMENDED OR REVOKED (ONTARIO)

None.

XI. QUESTIONS AND COMMENTS

You are invited to comment on any aspect of the Instrument and Companion Policy and specifically on the questions asked in this notice.

Please submit your comments in writing before May 2, 2006.

Request for Comments

Submissions should be sent to all Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission in duplicate, as indicated below:

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

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

Submissions should also be addressed to the *Autorité des marchés financiers (Québec)* as follows:

Madame Anne-Marie Beaudoin
Directrice du secrétariat de l'Autorité
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
Telephone: 514-940-2199 ext 2511
Fax: 514-864-6381
e-mail: consultation-en-cours@lautorite.qc.ca

A diskette containing the submissions should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Randee Pavalow
Director, Capital Markets
Ontario Securities Commission
(416) 593-8257
rpavalow@osc.gov.on.ca

Maxime Paré
Senior Legal Counsel, Market Regulation
Capital Markets
Ontario Securities Commission
(416) 593-3650
mpare@osc.gov.on.ca

Emily Sutlic
Legal Counsel, Market Regulation
Capital Markets
Ontario Securities Commission
(416) 593-2362
esutlic@osc.gov.on.ca

Request for Comments

Shaun Fluker
Legal counsel
Alberta Securities Commission
(403) 297-3308
shaun.fluker@seccom.ab.ca

Serge Boisvert
Analyste en réglementation
Direction de la supervision des OAR
Autorité des marchés financiers
514-395-0558 poste 4358
serge.boisvert@lautorite.qc.ca

Sandy Jakab
Manager, Policy
Capital Markets Regulation
British Columbia Securities Commission
(604) 899-6869
sjakab@bcsc.bc.ca

March 3, 2006

CANADIAN SECURITIES ADMINISTRATORS' REQUEST FOR COMMENT

**PROPOSED NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

TABLE OF CONTENTS

<u>PART</u>	<u>TITLE</u>
PART 1	DEFINITIONS AND INTERPRETATION
PART 2	APPLICATION
PART 3	TRADE MATCHING REQUIREMENTS
PART 4	REPORTING REQUIREMENT FOR REGISTRANTS
PART 5	REPORTING REQUIREMENTS FOR REGULATED CLEARING AGENCIES
PART 6	REQUIREMENTS FOR MATCHING SERVICE UTILITIES
PART 7	TRADE SETTLEMENT
PART 8	EQUIVALENT REQUIREMENTS OF SELF-REGULATORY ENTITIES AND OTHERS
PART 9	EXEMPTION
PART 10	EFFECTIVE DATE AND TRANSITION

**PROPOSED NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions —

In this Instrument,

“custodian” means a person or company¹ that holds securities for the benefit of another under a custodial agreement, but does not include a registered dealer;²

“DAP or RAP trade” means a trade in a security for which settlement is made on a delivery against payment or receipt against payment basis;

“institutional investor” means

- (a) a person or company, other than an individual, that has net investment assets of at least \$10,000,000 as shown on its most recently prepared financial statements, or
- (b) a person or company that holds securities through a custodian;

“marketplace” has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

“matching service utility” means a person or company that provides centralized facilities for matching, but does not include

- (a) a regulated clearing agency, or
- (b) an exchange, stock exchange or quotation and trade reporting system that is recognized or authorized by a securities regulatory authority³ to carry on business as an exchange, stock exchange or quotation and trade reporting system or that is exempted by a securities regulatory authority from a requirement under securities legislation⁴ to be so recognized or authorized;

“regulated clearing agency” means,

- (a) in Ontario, a clearing agency⁵ recognized by the securities regulatory authority under section 21.2 of the *Securities Act* (Ontario),
- (b) in Quebec, a clearing agency for securities authorized by the securities regulatory authority, and
- (c) in every other jurisdiction,⁶ a clearing agency that is subject to regulation under the securities legislation of another jurisdiction in Canada;⁷

“self-regulatory entity” has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

“settlement day” means a day on which deliveries of securities and payments of money may be made through the facilities of a regulated clearing agency;

“trade-matching party” means, in relation to a trade executed with or on behalf of an institutional investor,

- (a) a registered adviser acting for the institutional investor in the trade,

1 The term “person or company” is defined for clarification in certain jurisdictions in National Instrument 14-101 — *Definitions*.

2 This definition of custodian is derived in part from the definition found in OSC Rule 14-501 - *Definitions*.

3 The term “securities regulatory authority” is defined in National Instrument 14-101 — *Definitions*.

4 The term “securities legislation” is defined in National Instrument 14-101 — *Definitions*.

5 The term “clearing agency” is defined in the securities legislation of certain jurisdictions (see, for example, s. 1(1) of the *Securities Act* (Ontario)).

6 The term “jurisdiction” is defined in National Instrument 14-101 — *Definitions*.

7 The Canadian Depository for Securities Limited (CDS) is recognized as a clearing agency for securities in Ontario and as a self-regulatory organization in Quebec. No other CSA jurisdiction regulates CDS.

- (b) if a registered adviser is not acting for the institutional investor in the trade, the institutional investor,
- (c) a registered dealer executing or clearing the trade, or
- (d) a custodian of the institutional investor settling the trade;

“T” means the day on which a trade is executed;

“T+1” means the next settlement day following the day on which a trade is executed.

1.2 Interpretation — trade matching and Eastern Time —

- (1) In this Instrument, matching is the process by which the details and settlement instructions of an executed trade are reported, verified, confirmed and affirmed or otherwise agreed to among the trade-matching parties.
- (2) A reference to a time in this Instrument is to Eastern Time.

PART 2 APPLICATION

2.1 This Instrument does not apply to

- (a) a distribution of a security,
- (b) a trade in a security of a mutual fund to which National Instrument 81-102—*Mutual Funds* applies,
- (c) a trade in a security to be settled outside Canada, or
- (d) a trade in an option or futures contract that is cleared through a clearing house.

PART 3 TRADE MATCHING REQUIREMENTS

3.1 Matching deadlines for registered dealer —

A registered dealer shall not execute a DAP or RAP trade with or on behalf of an institutional investor unless the dealer has established reasonable policies and procedures to achieve matching as soon as practicable after the trade has been executed and in any event no later than

- (a) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
- (b) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m.

3.2 Compliance agreement or signed written statement —

A registered dealer 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

- (a) entered into a written agreement with the dealer that sets out the roles and responsibilities of the trade-matching parties in the matching of trades, and includes, without limitation, a term by which the trade-matching parties agree to establish policies and procedures to achieve matching as soon as practicable after the trade is executed and in any event no later than
 - (i) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
 - (ii) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m., or
- (b) provided a signed written statement to the dealer that confirms that the trade-matching party has established policies and procedures to achieve matching as soon as practicable after the trade is executed and in any event no later than
 - (i) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
 - (ii) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m.

3.3 Matching deadlines for registered adviser —

A registered adviser shall not give an order to a dealer to execute a DAP or RAP trade on behalf of an institutional investor unless the adviser has established reasonable policies and procedures to achieve matching as soon as practicable after the trade is executed and in any event no later than

- (a) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
- (b) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m.

3.4 Compliance agreement or signed written statement —

A registered adviser shall not open an account to execute a DAP or RAP trade for an institutional investor or give an order to a dealer to execute a DAP or RAP trade for the account of an institutional investor unless each trade-matching party has either

- (a) entered into a written agreement with the adviser that sets out the roles and responsibilities of the trade-matching parties in the matching of trades, and includes, without limitation, a term by which the trade-matching parties agree to establish policies and procedures to achieve matching as soon as practicable after the trade is executed and in any event no later than
 - (i) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
 - (ii) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m., or
- (b) provided a signed written statement to the adviser that confirms that the trade-matching party has established policies and procedures to achieve matching as soon as practicable after the trade is executed and in any event no later than
 - (i) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
 - (ii) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m.

PART 4 REPORTING REQUIREMENT FOR REGISTRANTS

4.1 A registrant shall file a completed Form 24-101F1 no later than 45 days after the end of a calendar quarter if

- (a) less than 98 percent of the DAP or RAP trades executed by or for the registrant during the quarter matched within the time required in Part 3; or
- (b) the DAP or RAP trades executed by or for the registrant during the quarter that matched within the time required in Part 3 represent less than 98 percent of the aggregate value of the securities purchased and sold in those trades.

PART 5 REPORTING REQUIREMENTS FOR REGULATED CLEARING AGENCIES

5.1 A regulated clearing agency shall file a completed Form 24-101F2 no later than 30 days after the end of a calendar quarter.

PART 6 REQUIREMENTS FOR MATCHING SERVICE UTILITIES

6.1 Initial filing —

- (1) A person or company shall not carry on business as a matching service utility unless
 - (a) the person or company has filed a completed Form 24-101F3; and
 - (b) at least 90 days have passed since the person or company filed the completed Form 24-101F3.
- (2) During the 90 day period referred to in subsection (1), a person or company that files Form 24-101F3 shall inform in writing the securities regulatory authority immediately of any significant change to the information provided in Form 24-101F3 and the person or company shall file an amendment to the information provided in Form 24-101F3 in the manner set out in Form 24-101F3 no later than seven days after a change takes place.

6.2 Anticipated change to operations —

At least 45 days before implementing a significant change involving a matter set out in Form 24-101F3, a matching service utility shall file an amendment to the information provided in Form 24-101F3 in the manner set out in Form 24-101F3.

6.3 Ceasing to carry on business as a matching service utility —

- (1) If a matching service utility intends to cease carrying on business as a matching service utility, the matching service utility shall file a report on Form 24-101F4 at least 30 days before ceasing to carry on that business.
- (2) If a matching service utility involuntarily ceases to carry on business as a matching service utility, the matching service utility shall file a report on Form 24-101F4 as soon as practicable after it ceases to carry on that business.

6.4 Ongoing filing and record keeping —

- (1) A matching service utility shall file a completed Form 24-101F5 no later than 30 days after the end of a calendar quarter.
- (2) A matching service utility shall keep such books, records and other documents as are reasonably necessary for the proper recording of its business.

6.5 System requirements —

For all of its core systems supporting the matching of trades, a matching service utility shall

- (a) consistent with prudent business practice, on a reasonably frequent basis, and, in any event, at least annually,
 - (i) make reasonable current and future capacity estimates,
 - (ii) conduct capacity stress tests of those systems to determine the ability of the systems to process transactions in an accurate, timely and efficient manner,
 - (iii) implement reasonable procedures to review and keep current the testing methodology of those systems,
 - (iv) review the vulnerability of those systems and data centre computer operations to internal and external threats, including breaches of security, physical hazards and natural disasters, and
 - (v) maintain adequate contingency and business continuity plans;
- (b) annually cause to be performed an independent review and written report, in accordance with generally accepted auditing standards, of the stated internal control objectives of those systems; and
- (c) promptly notify the securities regulatory authority of
 - (i) a material failure of those systems, and
 - (ii) a material change to those systems.

PART 7 TRADE SETTLEMENT

7.1 Trade settlement by registered dealer —

- (1) A registered dealer shall not execute a trade unless the dealer has established reasonable policies and procedures to facilitate settlement of the trade on a date that is no later than the standard settlement date for the type of security traded prescribed by a self-regulatory entity.
- (2) Subsection (1) does not apply to a trade in respect of which terms of settlement have been expressly agreed to by the counterparties to the trade at or before the trade was executed.

PART 8 EQUIVALENT REQUIREMENTS OF SELF-REGULATORY ENTITIES AND OTHERS

- 8.1 A regulated clearing agency, marketplace or matching service utility shall have rules or other instruments to promote compliance by its members, participants or users with the requirements of Parts 3 and 7.
- 8.2 A member of a self-regulatory entity may comply with a requirement of this Instrument by complying with a rule or other instrument of the self-regulatory entity dealing with the same subject matter as that requirement that has been approved by a securities regulatory authority and published by the self-regulatory entity.

PART 9 EXEMPTION

9.1 Exemption —

- (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.
- (3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 10 EFFECTIVE DATE AND TRANSITION

10.1 Effective date — This Instrument comes into force on July 1, 2006.

10.2 Transition —

- (1) A reference to “7:30 p.m. on T” in sections 3.1(a), 3.2(a)(i) and (b)(i), 3.3(a), and 3.4(a)(i) and (b)(i) shall each be read as a reference to:
- (a) “12:00 p.m. (Noon) on T+1”, for trades executed after December 31, 2006 but before July 1, 2007.
- (2) A reference to “98 percent” in sections 4.1(a) and (b) shall each be read as a reference to:
- (a) “70 percent”, for trades executed after December 31, 2006, but before July 1, 2007,
- (b) “80 percent”, for trades executed after June 30, 2007, but before January 1, 2008, and
- (c) “90 percent”, for trades executed after December 31, 2007, but before July 1, 2008.

**NATIONAL INSTRUMENT 24-101
(the "Instrument")**

FORM 24-101F1

**REGISTRANT
EXCEPTION REPORT OF
DAP OR RAP TRADE MATCHING**

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

REGISTRANT IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of registrant (if sole proprietor, last, first and middle name):
2. Name(s) under which business is conducted, if different from item 1:
3. Address of registrant's principal place of business:
4. Mailing address, if different from business address:
5. Type of business: Dealer Adviser
6. Category of registration:
7. Registrant NRD number:
8. Contact employee name:
 Telephone number:
 E-mail address:

INSTRUCTIONS:

File this form together with Exhibits A and B 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 98 percent* of the DAP or RAP trades executed by or for you during the quarter matched within the time** required in Part 3 of the Instrument, or
- (b) the DAP or 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 98 percent* of the aggregate value of the securities purchased and sold in those trades.

Determine the percentages above separately for (i) DAP or RAP trades that are settled by custodians on behalf of institutional investors and (ii) DAP or RAP trades that are settled by registered dealers on behalf of institutional investors.

Transition

* This percentage is effective as of July 1, 2008, and is being gradually phased-in for trades executed after the Instrument comes into force on July 1, 2006 and before July 1, 2008 as follows:

- (a) for trades executed after December 31, 2006, but before July 1, 2007, the percentage is 70 percent,
- (b) for trades executed after June 30, 2007, but before January 1, 2008, the percentage is 80 percent, and
- (c) for trades executed after December 31, 2007, but before July 1, 2008, the percentage is 90 percent.

See transitional provisions in Part 10 of the Instrument.

** The timelines set out in Part 3 of the Instrument are:

7:30 p.m. on T if the trade was executed before 4:30 p.m., or

7:30 p.m. on T+1 if the trade was executed after 4:30 p.m.

These timelines are effective as of July 1, 2007. During a transitional phase, certain longer timelines are permitted for trades executed after the Instrument comes into force on July 1, 2006 and before July 1, 2007. If a trade is executed before 4:30 p.m., the transitional timeline is:

12:00 p.m. (Noon) on T+1, for trades executed after December 31, 2006 but before July 1, 2007.

See transitional provisions in Part 10 of the Instrument.

EXHIBITS:

Exhibit A – Reasons for non-compliance

Describe the circumstances or underlying causes that resulted in or contributed to the failure to achieve the percentage target for matched DAP or RAP trades within the maximum time prescribed by Part 3 of the Instrument.

Exhibit B – Steps to address delays

Describe what specific steps you are taking to resolve delays in the trade reporting and matching process in the future. Indicate when each of these steps is expected to be implemented.

CERTIFICATE OF REGISTRANT

The undersigned certifies that the information given in this report on behalf of the registrant is true and correct.

DATED at _____ this ____ day of _____ 20__

(Name of registrant - type or print)

(Name of director, officer or partner - type or print)

(Signature of director, officer or partner)

(Official capacity - type or print)

**NATIONAL INSTRUMENT 24-101
(the "Instrument")**

FORM 24-101F2

**REGULATED CLEARING AGENCY
QUARTERLY OPERATIONS REPORT OF
INSTITUTIONAL TRADE REPORTING AND MATCHING**

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of regulated clearing agency:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of regulated clearing agency's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:
Telephone number:
E-mail address:

INSTRUCTIONS:

File 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.

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

EXHIBITS:

1. DATA REPORTING

Exhibit A – Operating Data

For client trades with a T+3 settlement period, provide the information to complete Tables 1 and 2 below for each month in the quarter. Complete separate Tables 1 and 2 for client trades settled (i) by a custodian on behalf of an institutional investor and (ii) by a dealer on behalf of an institutional investor. These two tables can be integrated into one report. Provide separate aggregate information for trades that have been reported or entered into your facilities as matched trades by a matching service utility or other service provider.

Month/Year: _____ (MMM/YYYY)

Table 1—Entered:

	CAD Equity		USD Equity		CAD Debt		USD Debt	
	#	\$	#	\$	#	\$	#	\$
T								
T+1								
T+2								
T+3								
>T+3								

Request for Comments

Table 2—Matched:

	CAD Equity		USD Equity		CAD Debt		USD Debt	
	#	\$	#	\$	#	\$	#	\$
T								
T+1								
T+2								
T+3								
>T+3								

Legend

- (#) is the total number of transactions in the month;
- (\$) is the total value of the transactions (purchases and sales) in the month;
- "T" is the day on which a trade is executed;
- "T+1" is the next settlement day following T;
- "T+2" is the second settlement day following T;
- "T+3" is the third settlement day following T.

Exhibit B – Exceptions

Using the format below, for each participant of the regulated clearing agency provide the percent of client trades during the quarter that have been entered and matched by the participant within the time required in Part 3 of the Instrument. The percentages given should relate to both the number of client trades that have been matched within the time and the aggregate value of the securities purchased and sold in the client trades that have been matched within the time.

Determine the percentages below separately for client trades settled (i) by a custodian on behalf of an institutional investor and (ii) by a dealer on behalf of an institutional investor.

Participant	Percentage matched within timelines	
	By # of transactions	By value

CERTIFICATE OF REGULATED CLEARING AGENCY

The undersigned certifies that the information given in this report on behalf of the regulated clearing agency is true and correct.

DATED at _____ this ____ day of _____ 20__

(Name of regulated clearing agency - type or print)

(Name of director, officer or partner - type or print)

(Signature of director or officer)

(Official capacity - type or print)

**NATIONAL INSTRUMENT 24-101
(the "Instrument")**

FORM 24-101F3

**MATCHING SERVICE UTILITY
NOTICE OF OPERATIONS**

DATE OF COMMENCEMENT INFORMATION:

Effective date of commencement of operations: _____ (DD/MMM/YYYY)

TYPE OF FILING: INITIAL SUBMISSION AMENDMENT

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:

Telephone number:

E-mail address:

6. Legal counsel:

Firm name:

Telephone number:

E-mail address:

GENERAL INFORMATION:

7. Website address:
8. Date of financial year-end: _____ (DD/MMM/YYYY)
9. Indicate the form of your legal status (e.g., corporation, limited or general partnership), the date of formation, and the jurisdiction under which you were formed:

Legal status: CORPORATION PARTNERSHIP
 OTHER (SPECIFY):

(a) Date of formation: _____ (DD/MMM/YYYY)

(b) Jurisdiction and manner of formation:

10. From the following list, specify the types of securities for which information will be received and processed by you for transmission of matched trades to a regulated clearing agency.

(a) Exchange-traded securities:

<u>Domestic traded</u>	<u>Foreign traded</u>
<input type="radio"/> EQUITY SECURITIES	<input type="radio"/> EQUITY SECURITIES
<input type="radio"/> DEBT SECURITIES	<input type="radio"/> DEBT SECURITIES

- (b) OTC securities: EQUITY
 GOVERNMENT DEBT
 CORPORATE DEBT

(c) Specify other types of securities:

INSTRUCTIONS:

File this form together with all exhibits pursuant to section 6.1 of the Instrument.

For each exhibit, include your name, the date of filing of the exhibit and the date as of which the information is accurate (if different from the date of the filing). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable shall be furnished in lieu of the exhibit.

If you are filing an amendment to Form 24-101F3 pursuant to section 6.1(2) or 6.2 of the Instrument, and the amended information relates to an exhibit that was filed with such form, you shall provide a description of the change and complete and file an updated exhibit. Significant changes to the information in this form should be briefly noted in the quarterly filing of Form 24-101F5.

EXHIBITS:

1. CORPORATE GOVERNANCE

Exhibit A – Constatng documents

Provide a copy of your constating documents, including corporate by-laws and other similar documents, as amended from time to time.

Exhibit B – Ownership

List any person or company that owns 10 percent or more of your voting securities or that, either directly or indirectly, through agreement or otherwise, may control your management. Provide the full name and address of each person or company and attach a copy of the agreement or, if there is no written agreement, briefly describe the agreement or basis through which the person or company exercises or may exercise control or direction.

Exhibit C – Officials

Provide a list of the partners, officers, directors or persons performing similar functions who presently hold or have held their offices or positions during the current and previous calendar year, indicating the following for each:

1. Name.
2. Title.
3. Dates of commencement and expiry of present term of office or position and length of time the office or position held.
4. Type of business in which each is primarily engaged and current employer.
5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.
6. Whether the person is considered to be an independent director.

Exhibit D – Organizational structure

Provide a narrative or graphic description of your organizational structure.

Exhibit E – Affiliated entities

For each person or company affiliated to you, provide the following information:

1. Name and address of affiliated entity.
2. Form of organization (e.g., association, corporation, partnership).
3. Name of jurisdiction and statute under which organized.
4. Date of incorporation in present form.
5. Brief description of nature and extent of affiliation or contractual or other agreement with you.
6. Brief description of business services or functions.

7. If a person or company has ceased to be affiliated with you during the previous year or ceased to have a contractual or other agreement relating to your operations during the previous year, provide a brief statement of the reasons for termination of the relationship.

2. FINANCIAL VIABILITY

Exhibit F – Audited financial statements

Provide your audited financial statements for the latest financial year and a report prepared by an independent auditor.

3. FEES

Exhibit G – Fee list, fee structure

Provide a complete list of all fees and other charges imposed, or to be imposed, by you for use of your services as a matching service utility, including the cost of establishing a connection to your systems.

4. ACCESS

Exhibit H – Users

Provide a list of all users or subscribers for which you propose to provide the services of a matching service utility. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, advisor or other party).

If applicable, for each instance during the past year in which any user or subscriber of your services has been prohibited or limited in respect of access to such services, indicate the name of each such user or subscriber and the reason for the prohibition or limitation.

Exhibit I – User contract

Provide a copy of each form of agreement governing the terms by which users or subscribers may subscribe to your services of a matching service utility.

5. SYSTEMS AND OPERATIONS

Exhibit J – System description

Describe the manner of operation of your systems for performing your services of a matching service utility (including, without limitation, systems that collect and process trade execution details and settlement instructions for matching of trades). This description should include the following:

1. The hours of operation of the systems, including communication with a regulated clearing agency.
2. Locations of operations and systems (e.g., countries and cities where computers are operated, primary and backup).
3. A brief description in narrative form of each service or function performed by you.

6. SYSTEMS COMPLIANCE

Exhibit K – Security

Provide a brief description of the processes and procedures implemented by you to provide for the security of any system used to perform your services of a matching service utility.

Exhibit L – Capacity planning and measurement

1. Provide a brief description of capacity planning/performance measurement techniques and system and stress testing methodologies.
2. Provide a brief description of testing methodologies with users or subscribers. For example, when are user/subscriber tests employed? How extensive are these tests?

Exhibit M – Business continuity

Provide a brief description of your contingency and business continuity plans in the event of a catastrophe.

Exhibit N – Material systems failures and changes

Provide a brief description of policies and procedures in place for reporting to regulators material systems failures and changes. Material systems failures include serious incidents that result in the interruption of the matching of trades for more than thirty minutes during normal business hours.

Exhibit O – Independent systems audit

1. Briefly describe your plans to provide an annual independent audit of your systems.
2. If applicable, provide a copy of the last external systems operations audit report.

7. INTER-OPERABILITY

Exhibit P – Inter-operability agreements

List all other matching service utilities for which you have entered into an *inter-operability* agreement. Provide a copy of all such agreements.

8. OUTSOURCING

Exhibit Q – Outsourcing firms

For each person or company (outsourcing firm) with whom or which you have an outsourcing agreement or arrangement relating to your services of a matching service utility, provide the following information:

1. Name and address of the outsourcing firm.
2. Brief description of business services or functions of the outsourcing firm.
3. Brief description of the outsourcing firm's contingency and business continuity plans in the event of a catastrophe.

9. CONFIDENTIALITY

Label all confidential material as "**Confidential**". In submissions, do not include detailed, sensitive operational security information.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this ____ day of _____ 20____

(Name of matching service utility - type or print)

(Name of director, officer or partner - type or print)

(Signature of director, officer or partner)

(Official capacity - type or print)

**NATIONAL INSTRUMENT 24-101
(the "Instrument")**

FORM 24-101F4

**MATCHING SERVICE UTILITY
NOTICE OF CESSATION OF OPERATIONS**

DATE OF CESSATION INFORMATION:

Type of filing: VOLUNTARY CESSATION
 INVOLUNTARY CESSATION

Effective date of operations cessation: _____ (DD/MMM/YYYY)

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Legal counsel:
 Firm name:
 Telephone number:
 E-mail address:

INSTRUCTIONS:

File this form together with all exhibits pursuant to section 6.3 of the Instrument.

For each exhibit, include your name, the date of filing of the exhibit and the date as of which the information is accurate (if different from the date of the filing). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable shall be furnished in lieu of the exhibit.

EXHIBITS:

Exhibit A

Provide the reasons for your cessation of business.

Exhibit B

Provide a list of all the users or subscribers for which you provided services during the last 30 days prior to you ceasing business. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, adviser, or other party).

Exhibit C

List all other matching service utilities for which an *interoperability* agreement was in force immediately prior to cessation of business.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this ____ day of _____ 20____

(Name of matching service utility - type or print)

(Name of director, officer or partner - type or print)

(Signature of director, officer or partner)

(Official capacity - type or print)

**NATIONAL INSTRUMENT 24-101
(the "Instrument")**

FORM 24-101F5

**MATCHING SERVICE UTILITY
QUARTERLY OPERATIONS REPORT OF
INSTITUTIONAL TRADE REPORTING AND MATCHING**

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:
Telephone number:
E-mail address:

INSTRUCTIONS:

File this form together with all exhibits pursuant to section 6.4 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

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

If any information specified is not available, a full statement describing why the information is not available shall be separately furnished.

EXHIBITS

1. SUMMARY OF SIGNIFICANT AND OTHER CHANGES OVER PERIOD

Exhibit A – Summary of significant changes

Briefly describe all significant changes to the information provided in Form 24-101F3 that were required to be filed during the quarter pursuant to section 6.2 of the Instrument.

2. SYSTEMS REPORTING

Exhibit B – External systems audit

If an external audit report on your core systems was prepared during the quarter, provide a copy of the report.

Exhibit C – Material systems failures and change reporting

Provide a list and summary of all material systems failures and changes that occurred during the quarter.

3. DATA REPORTING

Exhibit D – Operating data

For trades that were entered and matched through your facilities, provide the information to complete Tables 1 and 2 below for each month in the quarter. These two tables can be integrated into one report.

Month/Year: _____ (MMM/YYYY)

Table 1—Entered:

	CAD Equity		USD Equity		CAD Debt		USD Debt	
	#	\$	#	\$	#	\$	#	\$
T								
T+1								
T+2								
T+3								
>T+3								

Table 2—Matched:

	CAD Equity		USD Equity		CAD Debt		USD Debt	
	#	\$	#	\$	#	\$	#	\$
T								
T+1								
T+2								
T+3								
>T+3								

Legend

- (#) is the total number of transactions in the month;
- (\$) is the total value of the transactions (purchases and sales) in the month;
- "T" is the day on which a trade is executed;
- "T+1" is the next settlement day following T;
- "T+2" is the second settlement day following T;
- "T+3" is the third settlement day following T.

Exhibit E – Exceptions

Using the format below, provide the percent of trades during the quarter for each user or subscriber that have been entered and matched within the time required in Part 3 of the Instrument. The percentages given should relate to both the number of trades that have been matched within the time and the aggregate value of the securities purchased and sold in the trades that have been matched within the time.

Participant	Percentage matched within timelines	
	By # of transactions	By value

4. CONFIDENTIALITY

Label all confidential material as "**Confidential**". In submissions, do not include detailed and sensitive operational security information. No information under Exhibits D and E will be considered confidential.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at _____ this ____ day of _____ 20__

(Name of matching service utility- type or print)

(Name of director, officer or partner - type or print)

(Signature of director, officer or partner)

(Official capacity - type or print)

CANADIAN SECURITIES ADMINISTRATORS' REQUEST FOR COMMENT

**COMPANION POLICY 24-101CP
TO PROPOSED NATIONAL INSTRUMENT 24-101—
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

TABLE OF CONTENTS

<u>PART</u>	<u>TITLE</u>
PART 1	INTRODUCTION, PURPOSE AND DEFINITIONS
PART 2	TRADE MATCHING REQUIREMENTS
PART 3	FILING REQUIREMENTS
PART 4	REQUIREMENTS FOR MATCHING SERVICE UTILITIES
PART 5	TRADE SETTLEMENT
PART 6	TRANSITION

**COMPANION POLICY 24-101CP
TO PROPOSED NATIONAL INSTRUMENT 24-101—
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

PART 1 INTRODUCTION, PURPOSE AND DEFINITIONS

1.1 Purpose of Instrument — National Instrument 24-101—*Institutional Trade Matching and Settlement* (Instrument) has been adopted to provide a framework in provincial securities legislation for ensuring more efficient and timely settlement processing of trades, particularly institutional trades. The increasing volumes and dollar values of securities traded in Canada and globally by institutional investors mean existing back-office systems and procedures of market participants are challenged to meet post-execution processing demands, and new requirements are needed to address the increasing risks. The Instrument is being adopted as part of broader initiatives in the Canadian securities markets to implement straight-through processing (STP).¹

1.2 General explanation of matching, clearing and settlement —

(1) Parties to institutional trade — A typical trade with or on behalf of an institutional investor may involve at least three parties:

- a registered adviser or other *buy-side* manager acting for an institutional investor in the trade—and often acting on behalf of more than one institutional investor in the trade (i.e., multiple underlying institutional client accounts)—who decides what securities to buy or sell and how the assets should be allocated among the client accounts;
- a registered dealer (including an Alternative Trading System registered as a dealer) responsible for executing or clearing the trade; and
- any financial institution or registered dealer (including under a *prime brokerage* arrangement) appointed to hold the institutional investor's assets and settle trades.

(2) Matching — A first step in settling a securities trade is to ensure that the buyer and the seller agree on the details of the transaction, a process referred to as trade confirmation and affirmation or trade *matching*.² A registered dealer who executes trades with or on behalf of others is required to report and confirm trade details—not only with the counterparty to the trade—but also with the client for whom it acted. Agreement of trade details—sometimes referred to as *trade data elements*—must occur as soon as possible so that errors and discrepancies in the trades can be discovered early in the clearing and settlement process.

(3) Matching process — Verifying the trade data elements is necessary to *match* a trade executed on behalf of an institutional investor. Matching occurs when the relevant parties to the trade have, after verifying the trade data elements, reconciled or agreed to the details of the trade. Matching also requires that any custodian holding the institutional investor's assets be in a position to affirm the trade to a clearing agency. At that point, the trade is ready for the clearing and settlement process through the facilities of the clearing agency. To illustrate, the matching of a trade will usually include the following activities:

- (a) The registered dealer notifying the *buy-side* manager of the execution of the trade;
- (b) The *buy-side* manager advising the dealer and any custodian or custodians how the securities in the trade are to be allocated among the underlying institutional client accounts managed by the buy-side manager. For so-called *block settlement trades*, the dealer sometimes receives allocation information from the buy-side manager based only on the number of custodians holding institutional investors' assets instead of on the actual underlying institutional client accounts managed by the buy-side manager;
- (c) The dealer reporting the trade details to the buy-side manager and clearing agency. Generally, a customer trade confirmation delivered pursuant to securities legislation³ or the rules of a self-regulatory organization

1 For a discussion of Canadian STP initiatives, see Canadian Securities Administrators' (CSA) Discussion Paper 24-401 on *Straight-through Processing* and Request for Comments, April 16, 2004 (2004) 27 OSCB 3971 to 4031 (Discussion Paper 24-401); and CSA Notice 24-301—*Responses to Comments Received on Discussion Paper 24-401 on Straight-through Processing, Proposed National Instrument 24-101 Post-trade Matching and Settlement, and Proposed Companion Policy 24-101CP to National Instrument 24-101 Post-trade Matching and Settlement*, February 11, 2005 (2005) 28 OSCB 1509 to 1526.

2 The processes and systems for matching of non-institutional trades in Canada have evolved over time and become automated, such as retail trades on an exchange, which are matched or *locked-in* automatically at the exchange, or direct non-exchange trades between two participants of a clearing agency, which are generally matched through the facilities of the clearing agency.

3 See, for example, section 36 of the *Securities Act* (Ontario).

(SROs)⁴ will contain detailed information pertaining to the trade; and

- (d) The custodian or custodians of the assets of the institutional investors verifying the trade details and settlement instructions against available securities or funds held for the institutional investors. The buy-side manager instructs the custodian(s) to release funds and/or securities to the clearing agency.
- (4) **Clearing and settlement** — The *clearing* of a trade begins after the execution of the trade. After matching is completed, clearing will involve the calculation of the mutual obligations of market participants for the exchange of securities and money—a process which generally occurs within the operations of a clearing agency. The *settlement* of a trade is the moment when the securities are transferred finally and irrevocably from one investor to another in exchange for a corresponding transfer of money. In the context of settlement of a trade through the facilities of a clearing agency, often acting as central counterparty, settlement will be the discharge of obligations in respect of funds or securities, computed on a net basis, between and among the clearing agency and its participants. Through the operation of novation and set-off in law or by contract, the clearing agency becomes a counterparty to each trade so that the mutual obligation to settle the trade is between the clearing agency and each participant.

1.3 Definitions —

- (1) **Regulated clearing agency** — The definition of *regulated clearing agency* takes into account the fact that only the provinces of Ontario and Quebec have recognized or otherwise regulate The Canadian Depository for Securities Limited (CDS) under provincial securities legislation.⁵ The term *clearing agency* is not defined in the Instrument, but is defined in the securities legislation of certain jurisdictions.⁶
- (2) **Custodian and institutional investor** — While investment assets are sometimes held directly by investors, most are held on behalf of the investor by or through securities accounts maintained with a custodian or dealer. The definition of *custodian* in section 1.1 of the Instrument expressly excludes registered dealers, and is an important component of the definition of *institutional investor* (see paragraph (b) of the definition *institutional investor*). Thus, even an individual can be an institutional investor if the individual's investment assets are held by or through securities accounts maintained with a custodian instead of a dealer, whether or not the individual has net investment assets of at least \$10,000,000. Most institutional investors, such as pension and mutual funds, hold their assets through custodians. However, others may not—such as hedge funds, which sometimes maintain their investment assets with dealers under so-called *prime-brokerage* arrangements. Paragraph (a) of the definition *institutional investor* ensures that the scope of the Instrument includes such institutional investors that do not necessarily use custodians.
- (3) **Settlement day** — For determining the date on which *T+1* falls, a settlement day will be counted for a particular trade only if payment could have been made for the trade on that day in the agreed-upon currency. For example, even if the markets and commercial banks are open in Canada on a particular day, that day will not be considered a settlement day for a securities transaction requiring payment in U.S. currency if that day falls on a U.S. statutory holiday.
- (4) **DAP or RAP trade** — The concepts “delivery against payment” and “receipt against payment” are well understood by the industry. These terms are also defined in the Notes and Instructions (Schedule 4) to the *Joint Regulatory Financial Questionnaire and Report* of the Canadian SROs.
- (5) **Institutional trade** — In this Companion Policy, we use the expression “institutional trade” broadly to mean any trade executed with or on behalf of an institutional investor, whether or not settled by a custodian.

PART 2 TRADE MATCHING REQUIREMENTS

- 2.1 **Trade data elements** — Trade data elements that must be verified and agreed to are those identified by industry practice through the SROs or in the best practices and standards for institutional trade processing established and generally adopted by the industry. See section 2.4 of this Companion Policy. To illustrate, trade data elements that should be transmitted, compared and agreed to may include the following:
- (a) **Security identification:** ISIN, currency, issuer, type/class/series, market ID; and
- (b) **Order and trade information:** dealer ID, account ID, account type, buy/sell indicator, order status, order type, unit price/face amount, number of securities/quantity, message date/time, trade transaction type, commission, accrued interest (fixed income), broker settlement location, block reference, net amount, settlement type,

4 See, for example, The Toronto Stock Exchange (TSX) Rule 2-405 and Investment Dealers Association of Canada (IDA) Regulation 200.1(h).

5 CDS is also regulated by the Bank of Canada pursuant to the *Payment Clearing and Settlement Act* (Canada).

6 See, for example, s. 1(1) of the *Securities Act* (Ontario).

allocation sender reference, custodian, payment indicator, IM portfolio/account ID, quantity allocated, and settlement conditions.

2.2 Trade matching deadlines for registrants — The obligation of a registered dealer or registered adviser to implement appropriate policies and procedures, pursuant to sections 3.1 and 3.3 of the Instrument, will require the dealer or adviser to take reasonable steps to achieve matching as soon as practicable after the trade is executed and in any event no later than

- (a) 7:30 p.m. on T if the trade is executed before 4:30 p.m., or
- (b) 7:30 p.m. on T+1 if the trade is executed after 4:30 p.m.

The trade matching requirements of a registered dealer or registered adviser apply whether or not a custodian is needed to settle the trade.⁷

2.3 Choice of compliance agreement or signed written statement —

- (1) Establishing appropriate policies and procedures — Pursuant to sections 3.2 and 3.4 of the Instrument, a registered dealer or registered adviser can open an account for an institutional customer only if the customer and other trade-matching parties have entered into a written agreement (compliance agreement) with the dealer or adviser or provided a signed written statement (written statement) to the dealer or adviser. The purpose of the compliance agreement or written statement is to establish that all trade-matching parties have appropriate policies and procedures to achieve matching of the institutional trade as soon as practicable after the trade is executed.
- (2) Compliance agreement — A registered dealer or registered adviser need only enter into one compliance agreement with the trade-matching parties at the time of opening a trading account of an institutional investor for all future trades in relation to such account. A single compliance agreement is sufficient for the general and all sub-accounts of the institutional customer. If the dealer or adviser uses a compliance agreement, the form of such agreement should be part of the institutional account opening documentation, and may be modified from time to time with the consent of the parties. Registered dealers and registered advisers should use reasonable efforts to monitor compliance with and enforce the terms of a compliance agreement.
- (3) Signed written statement — A registered dealer or registered adviser may accept the written statement signed by the chief executive of the trade-matching party without further investigation. The dealer or adviser that has received a written statement from a trade-matching party in relation to an institutional customer account may continue to rely upon the statement for all future trades in such account, unless the dealer or adviser has knowledge that any statements or facts set out in the written statement are incorrect. A single written statement is sufficient for the general and all sub-accounts of the institutional customer.

2.4 Determination of appropriate policies and procedures —

- (1) Best practices — The Canadian securities regulatory authorities are of the view that, when establishing appropriate policies and procedures, a party should consider the best practices and standards for institutional trade processing that have generally been adopted by the industry.⁸ It should also include those policies and procedures into its regulatory compliance and risk management programs.
- (2) Different policies and procedures — The Canadian securities regulatory authorities recognize that appropriate policies and procedures may not be the same for all registered dealers, registered advisers and other market participants, as they may vary depending on the nature, scale and complexity of a market participant's business and the risks it takes in the trading process. For example, policies and procedures for achieving matching may differ among registered dealers that act as an "introducing broker" and registered dealers that act as a "carrying broker".⁹ In addition, if a dealer is not a participant of a clearing agency, the dealer's policies and procedures to expeditiously achieve matching should be integrated with the clearing arrangements that the dealer has with any other dealer acting as carrying or clearing broker

7 Where custodians are not used to settle a trade on behalf of an institutional investor, trades in non-exchange traded securities (including government debt securities) among direct participants of CDS can be matched through the facilities of CDS' trade confirmation and affirmation system. An IDA rule requires their members to confirm and affirm *broker-to-broker* trades in non-exchange traded securities within one hour of the execution of the trade through CDS' trade confirmation and affirmation system. See IDA Regulation 800.49.

8 The Canadian Capital Markets Association (CCMA) released in December 2003 the final version of a document entitled *Canadian Securities Marketplace Best Practices and Standards: Institutional Trade Processing, Entitlements and Securities Lending* ("CCMA Best Practices and Standards White Paper") that sets out best practices and standards for the processing for settlement of institutional trades, the processing of entitlements (corporate actions), and the processing of securities lending transactions. The CCMA Best Practices and Standards White Paper can be found on the CCMA website at www.ccma-acmc.ca.

9 See IDA By-Law No. 35 — *Introducing Broker / Carrying Broker Arrangements*.

for the dealer. Establishing appropriate policies and procedures may require registered dealers, registered advisers and other market participants to upgrade their systems and enhance their inter-operability with others.¹⁰

- 2.5 Use of matching service utility** — The Instrument does not require the trade-matching parties to use the facilities or services of a matching service utility to accomplish matching of trades within the prescribed timelines. However, if such facilities or services are made available in Canada, the use of such facilities or services may facilitate a trade-matching party's compliance with the Instrument's requirements.

PART 3 FILING REQUIREMENTS

- 3.1 Exception reporting for registrants** — Pursuant to Part 4 of the Instrument, a registrant is required to complete and file Form 24-101F1 and related exhibits only if less than 98 percent of the DAP or RAP trades executed by or for the registrant in any given calendar quarter have matched within the time required by the Instrument. The reporting requirements apply to DAP or RAP trades, whether or not settled by a custodian. The tracking of a registrant's trade-matching statistics may be outsourced to a third party service provider, including a regulated clearing agency or custodian. However, despite the outsourcing arrangement, the registrant retains full legal and regulatory liability and accountability to the Canadian securities regulatory authorities for its exception reporting requirements.
- 3.2 Regulatory reviews of registrant exception reports** — The Canadian securities regulatory authorities propose to review the completed Form 24-101F1 filings on an ongoing basis to monitor and assess compliance by registrants with the Instrument's matching requirements. We intend to identify problem areas in matching, including identifying trade-matching parties that have no or weak policies and procedures in place to ensure matching of trades is accomplished within the time prescribed by Part 3 of the Instrument. Monitoring and assessment of registrant matching activities may be undertaken by the SROs in addition to, or in lieu of, reviews undertaken by us.
- 3.3 Other filing requirements** — Regulated clearing agencies and matching service utilities are required to complete in Forms 24-101F2 and 24-101F5 certain trade-matching information in respect of their participants or users. The purpose of this information is to facilitate monitoring and enforcement by the Canadian securities regulatory authorities or SROs of the Instrument's matching requirements.
- 3.4 Forms filed in electronic form** — The Canadian securities regulatory authorities have agreed among themselves that completed Forms 24-101F1 must be filed
- by Ontario registrants with the Ontario Securities Commission,
 - by Quebec registrants with the Autorité des marchés financiers in Québec, and
 - by registrants in other provinces and territories with either the Ontario Securities Commission or the Autorité des marchés financiers in Québec.

Regulated clearing agencies and matching service utilities need only file their completed forms pursuant to Parts 5 and 6, respectively, of the Instrument with the Ontario Securities Commission or the Autorité des marchés financiers in Québec. We request that all forms and exhibits required to be filed under the Instrument be filed in electronic format by e-mail, where possible, to:

if to the Ontario Securities Commission, NI24101forms@osc.gov.on.ca

if to the Autorité des marchés financiers in Québec, NI24101forms@lautorite.qc.ca

Registrants, regulated clearing agencies and matching service utilities will be considered to have complied with their filing requirements under the Instrument in all jurisdictions if they file in the manner described above. To the extent indicated in the form by a filer, the Canadian securities regulatory authorities will maintain certain information in a completed Form 24-101F3 or Form 24-101F5 that is filed by a matching service utility in confidence. The Canadian securities regulatory authorities are of the view that certain parts of completed Forms 24-101F3 and 24-101F5 may contain private financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of adhering to the principle that the forms be available for public inspection.

PART 4 REQUIREMENTS FOR MATCHING SERVICE UTILITIES

4.1 Matching service utility —

- (1) Part 6 of the Instrument sets out filing, reporting, systems capacity, and other requirements of a matching service utility. The term *matching service utility* expressly excludes a regulated clearing agency and any recognized or authorized

¹⁰ See Discussion Paper 24-401, at p. 3984, for a discussion of *inter-operability*.

exchange, stock exchange or quotation and trade reporting system, and any exchange, stock exchange or quotation and trade reporting system that is exempted from a requirement to be so recognized or authorized. These recognized, authorized or exempted entities will not be subject to the requirements of Part 6 of the Instrument in the event they decide to provide centralized facilities for the matching of trades because they are subject to similar requirements under the terms and conditions of their recognition, authorization or exemption. A matching service utility would be any entity that provides the services of a post-execution centralized matching facility for registered dealers, institutional investors, and/or custodians that clear and settle institutional trades. It would use technology to match in real-time trade data elements throughout a trade's processing lifecycle. A matching service utility would not include a registered dealer who offers "local" matching services to its institutional clients.

- (2) A matching service utility would be viewed by the Canadian securities regulatory authorities as a critical infrastructure system involved in the clearing and settlement of securities transactions and the safeguarding of securities. The securities regulatory authorities believe that, while a matching service utility operating in Canada would largely enhance operational efficiency in the capital markets, it would raise certain regulatory concerns. Comparing and matching trade data are complex processes that are inextricably linked to the clearance and settlement process. A central matching utility concentrates processing risk in the entity that performs matching instead of dispersing that risk more to the dealers and their institutional clients. Accordingly, the Canadian securities regulatory authorities believe that the breakdown of a matching service utility's ability to accurately verify and match trade information from multiple market participants involving large numbers of securities transactions and sums of money could have adverse consequences for the efficiency of the Canadian securities clearing and settlement system. The requirements of the Instrument applicable to a matching service utility are intended to address these risks.

4.2 Initial filing requirements for a matching service utility — Section 6.1(1) of the Instrument requires any person or company that intends to carry on business as a matching service utility to file Form 24-101F3 at least 90 days before the person or company begins to carry on business as a matching service utility. The Canadian securities regulatory authorities will review Form 24-101F3 to determine whether the person or company that filed the form is an appropriate person or company to act as a matching service utility for the Canadian capital markets. The Canadian securities regulatory authorities will consider a number of factors when reviewing the filed form, including:

- (a) the performance capability, standards and procedures for the transmission, processing and distribution of details of trades in securities executed on behalf of institutional investors;
- (b) whether market participants generally may obtain access to the facilities and services of the matching service utility on fair and reasonable terms which are not unreasonably discriminatory;
- (c) personnel qualifications;
- (d) whether the matching service utility has sufficient financial resources for the proper performance of its functions;
- (e) the existence of another entity performing the proposed function for the same type of security; and
- (f) the systems report referred to in section 6.5(b) of the Instrument.

4.3 Change to significant information — Under section 6.2 of the Instrument, a matching service utility is required to file an amendment to the information provided in Form 24-101F3 at least 45 days before implementing a significant change involving a matter set out in Form 24-101F3. In the view of the Canadian securities regulatory authorities, a significant change includes a change to the information contained in the General Information items 1-10 and Exhibits A, B, E, G, I, J O, P and Q of the Form 24-101F3.

4.4 Ongoing filing and other requirements applicable to a matching service utility —

- (1) Ongoing quarterly filing requirements will allow regulators to monitor a matching service utility's operational performance and management of risk, the progress of inter-operability in the market, and any negative impact on access to the markets. A matching service utility will also provide trade matching data (e.g., number of trades matched on T) and other information to the securities regulatory authorities so that they can monitor industry compliance.
- (2) Forms 24-101F3 and 24-101F5 completed and filed by a matching service utility will provide useful information on whether it is:
 - (a) developing fair and reasonable linkages between its systems and the systems of any other matching service utility in Canada that, at a minimum, allow parties to executed trades that are processed through the systems of both matching service utilities to communicate through appropriate, effective interfaces;

- (b) negotiating with other matching service utilities in Canada fair and reasonable charges and terms of payment for the use of interface services with respect to the sharing of trade and account information; and
- (c) not unreasonably charging more for use of its facilities and services when one or more counterparties to trades are customers of other matching service utilities than the matching service utility would normally charge its customers for use of its facilities and services.

4.5 Capacity, integrity and security system requirements —

- (1) The activities in section 6.5(a) of the Instrument must be carried out at least once a year. The Canadian securities regulatory authorities would expect these activities to be carried out even more frequently if there is a significant change to trading volumes that necessitates that these functions be carried out more frequently in order to ensure that the matching service utility can appropriately service its clients.
- (2) The independent review contemplated by section 6.5(b) of the Instrument should be performed by competent and independent audit personnel, in accordance with generally accepted auditing standards.
- (3) The notification of a material systems failure under section 6.5(c) of the Instrument should be provided within one hour from the time the incident was identified as being material and should include the date, cause and duration of the interruption and its general impact on users or subscribers. Material systems failures include serious incidents that result in the interruption of the matching of trades for more than thirty minutes during normal business hours.

PART 5 TRADE SETTLEMENT

- 5.1 Trade Settlement by Dealer —** Section 7.1 of the Instrument is intended to support and strengthen the general settlement cycle rules of the SROs. Current marketplace and SRO rules mandate a standard T+3 settlement cycle period for most transactions in equity and long term debt securities.¹¹ If a dealer is not a participant of a clearing agency, the dealer's policies and procedures to facilitate the settlement of a trade should be combined with the clearing arrangements that the dealer has with any other dealer acting as carrying or clearing broker for the dealer.

PART 6 TRANSITION

- 6.1 Transitional dates and percentages —** The following table summarizes the transitional provisions of Part 10 of the Instrument.

For trades executed:	Matching deadline for trades executed before 4:30 p.m. on T (Part 3 of Instrument)	Percentage trigger of DAP/RAP trades for registrant exception reporting (Part 4 of Instrument)
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

¹¹ See IDA Regulation 800.27.