

1.1.4 CSA Staff Notice 23-306 – Status of the Transaction Reporting and Electronic Audit Trail System (TREATS)

CSA STAFF NOTICE 23-306

JOINT NOTICE OF THE STAFF OF THE CANADIAN SECURITIES ADMINISTRATORS,  
MARKET REGULATION SERVICES INC., BOURSE DE MONTRÉAL INC., AND  
THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

STATUS OF THE TRANSACTION REPORTING AND ELECTRONIC AUDIT TRAIL SYSTEM (TREATS)

**A. Background**

The electronic audit trail initiative was a project initiated and managed by the Canadian Securities Administrators (CSA) with the participation of the Bourse de Montréal Inc and the Investment Industry Regulatory Organization of Canada<sup>1</sup> (together, the Regulators) to investigate, design and implement a solution to facilitate compliance with Canadian securities electronic audit trail requirements introduced in National Instrument 23-101 *Trading Rules* (NI 23-101).

The last update on the status of the TREATS project was published in October 2006<sup>2</sup> (the October 2006 Notice). Since that notice, the Regulators performed an examination of certain models currently being used in other jurisdictions, and completed work on a Benefits Analysis with the assistance of external consultants.

In addition, amendments to NI 23-101 and Companion Policy 23-101CP were approved in December 2006<sup>3</sup> that had the effect, among other things, of extending the deadline for the implementation of an electronic audit trail by dealers and inter-dealer bond brokers until January 1, 2010.

Further amendments to the above-noted instrument and companion policy were also proposed by the CSA in April 2007<sup>4</sup> that would have had the intended effect, among other things, of clarifying the record keeping requirements associated with the electronic audit trail.

**B. Update on Status of TREATS Project**

As a result of the work performed since the October 2006 Notice, the Regulators have decided not to proceed with the TREATS project. This decision was made after considering the size and complexity of the undertaking in relation to the relative uncertainty as to whether the initiative's overall policy objective of enhanced market integrity would be achieved.

Other work focusing on enhancing the electronic audit trail information, in a more simplified manner, may be pursued in the future as a new initiative. Accordingly, there will be no further updates regarding the status of the TREATS project.

Amendments to NI 23-101 have therefore been made to reflect this decision.<sup>5</sup>

If there are any questions regarding this decision, please contact:

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<sup>1</sup> Two original participants in the project, Market Regulation Services Inc. and the Investment Dealers Association of Canada have merged to form the Investment Industry Regulatory Organization of Canada.

<sup>2</sup> Published on October 20, 2006 in English in the Ontario Securities Commission Bulletin at (2006) 29 OSCB 8222 and in French in the *Bulletin de l'Autorité des marchés financiers*, Vol. 3, no 42.

<sup>3</sup> The notice relating to the amendments was published on December 15, 2006 in English in the Ontario Securities Commission Bulletin at (2006) 29 OSCB 9731 and in French in the *Bulletin de l'Autorité des marchés financiers*, Vol. 3, no 50.

<sup>4</sup> The notice relating to the proposed amendments was published on April 20, 2007 in English in the Ontario Securities Commission Bulletin at (2007) 30 OSCB (Supp-3) and in French in the *Bulletin de l'Autorité des marchés financiers*, Vol. 4, no 16.

<sup>5</sup> The notice relating to the amendments was published on September 5, 2008 in English in the Ontario Securities Commission Bulletin at (2008) 31 OSCB 8572 and in French in the *Bulletin de l'Autorité des marchés financiers*, Vol. 5, no 35.

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