

**5.1.2 Amendments to National Instrument 21-101 Marketplace Operation and Companion Policy 21-101CP - to National Instrument 21-101 Marketplace Operation**

**AMENDMENTS TO NATIONAL INSTRUMENT 21-101 MARKETPLACE OPERATION**

**PART 1 AMENDMENTS**

**1.1 Amendments**

- (1) This Instrument amends National Instrument 21-101 Marketplace Operation.
- (2) Section 1.1 is amended by repealing the definition of “market integrator”.
- (3) Part 6 is amended by adding the following section:

**6.13 Access Requirements – An ATS shall**

- (a) establish written standards for granting access to trading on it;
  - (b) not unreasonably prohibit, condition or limit access by a person or company to services offered by it; and
  - (c) keep records of
    - (i) each grant of access, including, for each subscriber, the reasons for granting access to an applicant, and
    - (ii) each denial or limitation of access, including the reasons for denying or limiting access to an applicant.
- (4) Part 7 is repealed and the following substituted:

**Part 7 — Information Transparency Requirements for Marketplaces Dealing in Exchange-Traded Securities and Foreign Exchange-Traded Securities**

**7.1 Pre-Trade Information Transparency - Exchange-Traded Securities**

- (1) A marketplace that displays orders of exchange-traded securities to a person or company shall provide accurate and timely information regarding orders for the exchange-traded securities displayed on the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.
- (2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

**7.2 Post-Trade Information Transparency – Exchange-Traded Securities –** A marketplace shall provide accurate and timely information regarding orders for exchange-traded securities executed on the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.

**7.3 Pre-Trade Information Transparency – Foreign Exchange-Traded Securities**

- (1) A marketplace that displays orders of foreign exchange-traded securities to a person or company shall provide accurate and timely information regarding orders for the foreign exchange-traded securities displayed on the marketplace to an information vendor.
- (2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

**7.4 Post-trade Information Transparency – Foreign Exchange-Traded Securities -** A marketplace shall provide accurate and timely information regarding orders for foreign exchange-traded securities executed on the marketplace to an information vendor.

**7.5 Exemption for Options** - This Part does not apply to exchange-traded securities that are options, or foreign exchange-traded securities that are options, until January 1, 2007.

(5) Part 8 is repealed and the following substituted:

**Part 8 — Information Transparency Requirements for Marketplaces Dealing in Unlisted Debt Securities, Inter-Dealer Bond Brokers and Dealers**

**8.1 Pre-Trade and Post-Trade Information Transparency Requirements - Government Debt Securities**

- (1) A marketplace that displays orders of government debt securities to a person or company shall provide to an information processor accurate and timely information regarding orders for government debt securities displayed on the marketplace as required by the information processor.
- (2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.
- (3) A marketplace shall provide to an information processor accurate and timely information regarding details of trades of government debt securities executed on the marketplace as required by the information processor.
- (4) An inter-dealer bond broker shall provide to an information processor accurate and timely information regarding orders for government debt securities executed through the inter-dealer bond broker as required by the information processor.
- (5) An inter-dealer bond broker shall provide to an information processor accurate and timely information regarding details of trades of government debt securities executed through the inter-dealer bond broker as required by the information processor.

**8.2 Pre-Trade and Post-Trade Information Transparency Requirements - Corporate Debt Securities**

- (1) A marketplace that displays orders of corporate debt securities to a person or company shall provide to an information processor accurate and timely information regarding orders for corporate debt securities displayed on the marketplace as required by the information processor.
- (2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.
- (3) A marketplace shall provide to an information processor accurate and timely information regarding details of trades of corporate debt securities executed on the marketplace as required by the information processor.
- (4) An inter-dealer bond broker shall provide to an information processor accurate and timely information regarding details of trades of corporate debt securities executed through the inter-dealer bond broker as required by the information processor.
- (5) A dealer executing trades of corporate debt securities outside of a marketplace shall provide to an information processor accurate and timely information regarding details of trades of corporate debt securities traded by or through the dealer as required by the information processor.

**8.3 Consolidated Feed — Unlisted Debt Securities** - An information processor shall produce a consolidated feed in real-time showing the information provided to the information processor under sections 8.1 and 8.2.

**8.4 Compliance with Requirements of an Information Processor** - A marketplace, inter-dealer bond broker or dealer that is subject to this Part shall comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.

**8.5 Exemption for Government Debt Securities** - Section 8.1 does not apply until January 1, 2007.

(6) Part 9 is repealed.

(7) Part 10 is amended by repealing sections 10.1 and 10.2 and substituting the following:

**10.1 Disclosure of Transaction Fees by Marketplaces** - A marketplace shall make its schedule of transaction fees publicly available.

## Rules and Policies

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- (8) Part 11 is amended
- (a) by repealing subparagraphs 11.2(1)(c)(xii), (xvi) and (xviii);
  - (b) in subparagraph 11.2(1)(c)(xvii) by striking out “,”and substituting “; and”;
  - (c) in subparagraph 11.2(1)(d)(viii) by striking out “the market integrator or any other marketplace” and substituting “an information vendor or a marketplace”; and
  - (d) in paragraph 11.3(1)(b) by adding “or 6.13” after “section 5.1”.
- (9) Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 are amended by striking out the following
- THE FILER CONSENTS TO HAVING THE INFORMATION ON THIS FORM AND ATTACHED EXHIBITS PUBLICLY AVAILABLE.

### **PART 2 EFFECTIVE DATE**

- 2.1 Effective Date** – This Instrument comes into force on December 31, 2003.

**AMENDMENTS TO COMPANION POLICY 21-101CP - TO NATIONAL INSTRUMENT 21-101 MARKETPLACE OPERATION**

**PART 1 AMENDMENTS**

**1.1 Amendments**

- (1) This Amendment amends Companion Policy 21-101CP.
- (2) Subsection 2.1(1) is repealed and the following substituted:
  - (1) The Instrument uses the term “marketplace” to encompass the different types of trading systems that match trades. A marketplace is an exchange, a quotation and trade reporting system or an ATS. Paragraphs (c) and (d) of the definition of “marketplace” describe marketplaces that the Canadian securities regulatory authorities consider to be ATSs. A dealer that internalizes its orders of exchange-traded securities and does not execute and print the trades on an exchange or quotation and trade reporting system in accordance with the rules of the exchange or the quotation and trade reporting system (including an exemption from those rules) is considered to be a marketplace pursuant to paragraph (d) of the definition of “marketplace” and an ATS.
- (3) Subsection 3.4(7) is repealed and the following is substituted:
  - (7) Any marketplace that is required to provide notice under section 6.7 of the Instrument will determine the calculation based on publicly available information.
- (4) Subsection 5.1(3) is amended
  - (a) by striking out the reference to section 8.3; and
  - (b) by adding a reference to sections 7.3 and 8.2.
- (5) Subsection 6.1(2) is repealed and the following substituted:
  - (2) The forms filed by a marketplace under the Instrument will be kept confidential. The Canadian securities regulatory authorities are of the view that the forms contain intimate 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.
- (6) Section 7.1 is amended by adding the following after “standards for access.”:

In addition, the reference to “a person or company” in subsection (b) includes a system or facility that is operated by a person or company.
- (7) Part 8 is amended
  - (a) by striking out the title and substituting “**REQUIREMENTS ONLY APPLICABLE TO ATSs**”; and
  - (b) by adding the following:

**8.2 Access Requirements** – Section 6.13 of the Instrument sets out access requirements that apply to an ATS. The Canadian securities regulatory authorities note that the requirements regarding access do not prevent an ATS from setting reasonable standards for access. In addition, the reference to “a person or company” in subsection (b) includes a system or facility that is operated by a person or company.
- (8) Part 9 is amended
  - (a) by striking out the title and substituting “**PART 9 - INFORMATION TRANSPARENCY REQUIREMENTS FOR EXCHANGE-TRADED SECURITIES**”; and
  - (b) by repealing sections 9.1 and 9.2 and substituting the following:

**9.1 Information Transparency Requirements for Exchange-Traded Securities**

- (1) Subsection 7.1(1) of the Instrument requires a marketplace that displays orders of exchange-traded securities to any person or company to provide information to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider. Section 7.2 requires the marketplace to provide information regarding trades of exchange-traded securities to an information processor or, if there is no information processor, an information vendor that meets the standards set by a regulation services provider. Some marketplaces, such as exchanges, may be regulation services providers and will establish standards for the information vendors they use to display order and trade information to ensure that the information displayed by the information vendors is timely, accurate and promotes market integrity. If the marketplace has entered into a contract with a regulation services provider under NI 23-101, the marketplace must provide information to the regulation services provider and an information vendor that meets the standards set by that regulation services provider.
  - (2) Each regulation services provider will define the process, the business content of the reporting and regulatory data feeds, including the core data elements, the message catalogue and the service level standards. The regulation services provider will also define the service level standards for delivery and receipt of market data to and from information vendors and marketplaces under sections 7.1 and 7.2 of the Instrument.
  - (3) A regulation services provider will identify through a certification process which information vendors meet the standards required by the regulation services provider under section 7.1 and 7.2 of the Instrument.
  - (4) It is expected that if there are multiple regulation service providers, the standards of the various regulation service providers must be consistent. In order to maintain market integrity for securities trading in different marketplaces, the Canadian securities regulatory authorities will, through their oversight of the regulation service providers, review and monitor the standards established by all regulation service providers so that business content, service level standards, and other relevant standards are substantially similar for all regulation service providers.
  - (5) Section 7.5 of the Instrument states that the pre-trade and post-trade transparency requirements in Part 7 do not apply to exchange-traded securities and foreign exchange-traded securities that are options until January 1, 2007. The Canadian securities regulatory authorities are of the view that additional study is necessary to determine the appropriate transparency standards for options.
- (9) Part 10 is amended
- (a) by repealing sections 10.1 and 10.2 and substituting the following:  
**10.1 Information Transparency Requirements for Unlisted Debt Securities**
    - (1) The requirement to provide transparency of information regarding orders and trades of government debt securities in section 8.1 of the Instrument does not apply until January 1, 2007. The Canadian securities regulatory authorities will continue to review the transparency requirements, to determine if the transparency requirements summarized in subsections (2) and (3) below should be amended. One of the issues we will consider is to what extent systems displaying executable prices compete with inter-dealer bond brokers and therefore should be subject to the same level of transparency as the inter-dealer bond brokers.
    - (2) The requirements of the information processor for government debt securities are as follows:
      - (a) Marketplaces trading government debt securities and inter-dealer bond brokers are required to provide in real time quotation information displayed on the marketplace for all bids and offers with respect to unlisted debt securities designated by the information processor, including details as to type, issuer, coupon and maturity of security, best bid price, best ask price and total disclosed volume at such prices; and
      - (b) Marketplaces trading government debt securities and inter-dealer bond brokers are required to provide in real time details of trades of all government debt securities designated by the information processor, including details as to the type, issuer, series, coupon and maturity, price and time of the trade and the volume traded.
    - (3) The requirements of the information processor for corporate debt securities are as follows:

- (a) Marketplaces trading corporate debt securities, inter-dealer bond brokers and dealers trading corporate debt securities outside of a marketplace are required to provide details of trades of all designated corporate debt securities, including details as to the type, issuer, class, series, coupon and maturity, price and time of the trade and, subject to the caps set out below, the volume traded, within one hour of the trade. If the total par value of a trade of an investment grade corporate debt security is greater than \$2 million, the trade details provided to the information processor shall report the trade as "\$2 million+". If the total par value of a trade of a non-investment grade corporate debt security is greater than \$200,000, the trade details provided to the information processor shall report the trade as "\$200,000+".
- (b) Although subsection 8.2(1) of the Instrument requires marketplaces to provide information regarding orders of corporate debt securities, the information processor has not required this information to be provided.
- (4) The marketplace upon which the trade is executed will not be shown, unless the marketplace determines that it wants its name to be shown.
- (5) The information processor will use transparent criteria and a transparent process to select the designated government debt securities and designated corporate debt securities. The information processor will make the criteria and the process publicly available.
- (6) An "investment grade corporate debt security" is a corporate debt security that is rated by one of the listed rating organizations at or above one of the following rating categories or a rating category that preceded or replaces a category listed below:

Rating Organization	Long Term Debt	Short Term Debt
Fitch, Inc.	BBB	F3
Dominion Bond Rating Service Limited	BBB	R-2
Moody's Investors Service, Inc.	Baa	Prime-3
Standard & Poors Corporation	BBB	A-3

- (7) A "non-investment grade corporate debt security" is a corporate debt security that is not an investment grade corporate debt security.
- (8) The information processor will publish the list of designated government debt securities and designated corporate debt securities. The information processor will give reasonable notice of any change to the list.
- (9) The information processor may request changes to the transparency requirements by filing an amendment to Form 21-101F5 with the Canadian securities regulatory authorities pursuant to subsection 14.2(1) of the Instrument. The Canadian securities regulatory authorities will review the amendment to Form 21-101F5 to determine whether the proposed changes are contrary to the public interest, to ensure fairness and to ensure that there is an appropriate balance between the standards of transparency and market quality (defined in terms of market liquidity and efficiency) in each area of the market. The proposed changes to the transparency requirements will also be subject to consultation with market participants.; and

(b) in section 10.3 by striking out the reference to section 8.6 and substituting a reference to section 8.3.

(10) Part 11 is amended

- (a) by repealing sections 11.1, 11.2, 11.3 and 11.4; and
- (b) by adding the following section:

**11.5 Market Integration** – Although the Canadian securities regulatory authorities have removed the concept of a market integrator, we continue to be of the view that market integration is important to our marketplaces. We expect to achieve market integration by focusing on compliance with fair access and best execution requirements. We will continue to monitor developments to ensure that the lack of a market integrator does not unduly affect the market.

(11) Section 12.1 is repealed and the following substituted:

**12.1 Disclosure of Transaction Fees by Marketplaces** – Section 10.1 of the Instrument requires that each marketplace make its schedule of transaction fees publicly available. It is not the intention of the Canadian securities regulatory authorities that a commission fee charged by a dealer for dealer services be disclosed. Each marketplace is required to publicly post a schedule of all trading fees that are applicable to outside marketplace participants that are accessing an order and executing a trade displayed through an information processor or information vendor. The requirement to disclose transaction fees does not require a combined price calculation by each marketplace.

(12) Section 16.2 is amended by adding the following subsection:

(3) The forms filed by an information processor under the Instrument will be kept confidential. The Canadian securities regulatory authorities are of the view that they contain intimate financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of adhering to the principle that all forms be available for public inspection.

## **PART 2 EFFECTIVE DATE**

**2.1 Effective Date** - This Amendment comes into force on December 31, 2003.