

## Chapter 5

# Rules and Policies

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### 5.1.1 OSC Rule 21-501 – Deferral of Information Transparency Requirements for Government Debt Securities in National Instrument 21-101 – Marketplace Operation

#### NOTICE OF ONTARIO SECURITIES COMMISSION RULE 21-501 DEFERRAL OF INFORMATION TRANSPARENCY REQUIREMENTS FOR GOVERNMENT DEBT SECURITIES IN NATIONAL INSTRUMENT 21-101 — *MARKETPLACE OPERATION*

#### A. INTRODUCTION

On October 11, 2011, the Ontario Securities Commission (OSC) made OSC Rule 21-501 *Deferral of Information Transparency Requirements for Government Debt Securities in National Instrument 21-101 — Marketplace Operation* (the Rule) under the *Securities Act* (Ontario) (the Act). The purpose of the Rule is to extend the existing exemption from the transparency requirements for government debt securities, included in section 8.6 of National Instrument 21-101 *Marketplace Operation*, until December 31, 2014.

The Rule was not published for comment because the substance of the Rule was previously published for comment (the Request for Comments)<sup>1</sup> as a proposed amendment to National Instrument 21-101 (the NI 21-101 Amendments) and the only comment received on the proposed amendment was supportive of the deferral.

The Commission understands that the securities regulatory authorities in other jurisdictions of the Canadian Securities Administrators (CSA) have granted, or are expected to grant in due course, blanket orders providing for the same extension as the Rule.

#### B. DELIVERY OF RULE TO MINISTER

Under subsection 143.3 of the Act, the Rule was delivered to the Minister of Finance for approval on October 21, 2011. Unless the Minister rejects the Rule or returns it to the Commission for further consideration, it will come into force on December 31, 2011.

#### C. BACKGROUND TO AND PURPOSE OF THE RULE

Part 8 of National Instrument 21-101 sets out transparency requirements for marketplaces dealing in debt securities, inter-dealer bond brokers and dealers trading unlisted debt securities. Section 8.1 sets out specific pre-trade and post-trade transparency requirements for government debt securities. Section 8.6 contains an exemption from section 8.1 until January 1, 2012. This exemption has been in place since 2003, and was last extended in 2006.

The Request for Comments noted that the CSA has reviewed the continuing appropriateness of the exemption and alternatives for transparency of government fixed income securities. Currently, no domestic or international jurisdiction has established mandatory transparency requirements for government debt. However, progress is being made toward improving transparency in the fixed income market. In light of ongoing developments, the NI 21-101 Amendments propose to further defer the introduction of the transparency requirements in section 8.1 from January 1, 2012 until January 1, 2015 in order to allow the CSA an opportunity to consider international and domestic transparency developments and to determine what, if any, mandatory requirements are needed in this area.

For more detail on the background of the Rule, please refer to the Request for Comments.

#### D. SUMMARY OF THE RULE

The NI 21-101 Amendments will not be finalized before the current exemption in section 8.6 expires. Therefore, the Rule is necessary to ensure that the exemption continues to be in effect until the NI 21-101 Amendments are implemented. Once the NI 21-101 Amendments are enacted, it is expected that the Rule will be repealed.

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<sup>1</sup> Request for Comments, *Proposed Amendments to National Instrument 21-101 Marketplace Operation and 23-101 Trading Rules* (2011), 34 OSCB (Supp-1), p. 14.

**E. SUMMARY OF COMMENTS**

We received twelve responses to the Request for Comments and thank the responders for their submissions. Of these, only one submission commented on the proposal to extend the exemption and was supportive without qualification. A full summary of all the comments received will be published when the NI 21-101 Amendments are finalized.

**F. AUTHORITY FOR THE RULE**

The Commission has the authority to make the Rule pursuant to the following provisions of the Act:

- Paragraph 143(1)7 authorizes the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the public or the Commission by registrants.
- Paragraph 143(1)11 authorizes the Commission to make rules regulating the listing or trading of publicly traded securities including requiring reporting of trades and quotations.

**G. QUESTIONS**

Please refer any of your questions to:

Timothy Baikie  
Senior Legal Counsel, Market Regulation  
Ontario Securities Commission  
(416) 593-8136  
[tbaikie@osc.gov.on.ca](mailto:tbaikie@osc.gov.on.ca)

Ruxandra Smith  
Senior Accountant, Market Regulation  
Ontario Securities Commission  
(416) 593-2317  
[ruxsmith@osc.gov.on.ca](mailto:ruxsmith@osc.gov.on.ca)

**ONTARIO SECURITIES COMMISSION RULE 21-501  
DEFERRAL OF TRANSPARENCY REQUIREMENTS FOR GOVERNMENT DEBT SECURITIES IN  
NATIONAL INSTRUMENT 21-101 — *MARKETPLACE OPERATION***

**Extension of existing exemption for government debt securities**

1. In Ontario, the reference to “January 1, 2012” in section 8.6 of National Instrument 21-101 *Marketplace Operation* shall be read as a reference to “January 1, 2015”.

**Effective Date**

2. This rule comes into force on December 31, 2011.

**Expiration**

3. This rule expires on January 1, 2015.