

Nova Scotia Securities Commission

Rule 24-101 (Amendment)
Institutional Trade Matching and Settlement

- and -

Amendments to National Instrument 24-101
Institutional Trade Matching and Settlement

- and -

Changes to Companion Policy 24-101
Institutional Trade Matching and Settlement

WHEREAS:

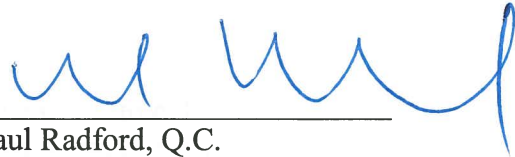
1. Pursuant to section 150 of the *Securities Act*, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements;
3. Amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (the Rule) and Changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement* (the Policy), copies of which are attached hereto, have been made a rule by one or more of the Canadian securities regulatory authorities; and
4. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

NOW THEREFORE the Commission hereby:

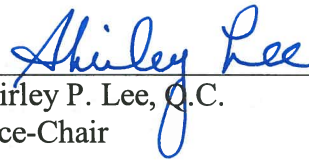
- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rule and makes the same a rule of the Commission;
- (b) pursuant to the authority contained in section 19 of the Act and subject to publication on the Commission's website, issues the Policy as a policy statement of the Commission; and
- (c) declares that the rule approved and made pursuant to clause (a) and the policy issued pursuant to clause (b) shall take effect on **September 5, 2017**, unless the Minister disapproves the rule or returns it to the Commission in accordance with subsection

150A(3) of the Act in which event the rule and the policy statement shall not become effective until the rule is approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair and the Vice-Chair of the Commission, being the members of the Commission prescribed by the Chair pursuant to subsection 15(3) of the Act to attend the hearing of this matter and the quorum with respect to this matter, on the 27th day of April, 2017.

A handwritten signature in blue ink, appearing to read 'Paul Radford', written above a horizontal line.

Paul Radford, Q.C.
Chair

A handwritten signature in blue ink, appearing to read 'Shirley Lee', written above a horizontal line.

Shirley P. Lee, Q.C.
Vice-Chair

Attachments

**AMENDMENTS TO
NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

- 1. National Instrument 24-101 Institutional Trade Matching and Settlement is amended by this Instrument.**
- 2. Section 1.1 is amended**
 - (a) by replacing the definition of “clearing agency” with:**

“clearing agency” means a recognized clearing agency that operates as a “securities settlement system” as defined in section 1.1 of National Instrument 24-102 *Clearing Agency Requirements*;
 - (b) in the definition of “DAP/RAP trade” by,**
 - (i) adding “in a security” immediately after “means a trade”, and**
 - (ii) replacing “made” with “completed” in paragraph (b),**
 - (c) by repealing the definitions of “North American region” and “T+3”, and**
 - (d) in the definition of “T+2” by replacing “;” following “means the second business day following T” with “.”.**
- 3. Section 1.2 is amended by replacing subsection (2) with the following:**

(2) For the purposes of this Instrument, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the *Securities Act* (Québec)..
- 4. Paragraph 2.1(f) is replaced with the following:**

(f) a purchase governed by Part 9, or a redemption governed by Part 10, of National Instrument 81-102 *Investment Funds*..
- 5. Section 3.1 is amended**
 - (a) in subsection (1) by**
 - (i) replacing “shall” with “must”, and**
 - (ii) adding “Eastern Time” after “12 p.m. (noon)”, and**
 - (b) by repealing subsection (2).**
- 6. Section 3.2 is amended by replacing “shall” with “must”.**
- 7. Section 3.3 is amended**
 - (a) in subsection (1) by**
 - (i) replacing “shall” with “must”, and**
 - (ii) adding “Eastern Time” after “12 p.m. (noon)”, and**
 - (b) by repealing subsection (2).**
- 8. Sections 3.4 and 4.1 are amended by replacing “shall” with “must”.**
- 9. Section 5.1 is amended by replacing “through which trades governed by this Instrument are cleared and settled shall” with “must”.**
- 10. Sections 6.1 to 8.1 are amended by replacing “shall” with “must” wherever it appears.**
- 11. Form 24-101F1 is amended by replacing the instructions before the heading “Exhibits” with the following:**

INSTRUCTIONS:

Deliver this form for both equity and debt DAP/RAP trades together with Exhibits A, B and C 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 90 per cent of the equity and/or debt DAP/RAP trades executed by or for you during the quarter matched within the time required in Part 3 of the Instrument, or
- (b) the equity and/or debt DAP/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 90 per cent of the aggregate value of the securities purchased and sold in those trades.

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics. Exhibit A(1) applies only to trades in equity and ETF securities. Exhibit A(2) applies only to trades in debt and other fixed-income securities..

12. Form 24-101F1 is amended by replacing Exhibit A – DAP/RAP trade statistics for the quarter with the following:

Exhibit A – DAP/RAP trade statistics for the quarter

If applicable, complete Table 1 or 2, or both, below for each calendar quarter. Deadline means noon Eastern time on T+1.

(1) Equity DAP/RAP trades (includes ETF trades)

<i>Entered into the clearing agency by deadline (to be completed by dealers only)</i>				<i>Matched (to be completed by dealers and advisers)</i>							
# of trades	%	\$ value of trades	%	# of trades matched	%	\$ value of trades matched	%	# of trades matched by deadline	%	\$ value of trades matched by deadline	%

(2) Debt DAP/RAP trades

<i>Entered into the clearing agency by deadline (to be completed by dealers only)</i>				<i>Matched (to be completed by dealers and advisers)</i>							
# of trades	%	\$ value of trades	%	# of trades matched	%	\$ value of trades matched	%	# of trades matched by deadline	%	\$ value of trades matched by deadline	%

Legend

"# of Trades" is the total number of transactions in the calendar quarter;
"\$ Value of Trades" is the total value of the transactions (purchases and sales) in the calendar quarter.

13. Form 24-101F1 is amended in Exhibit B and C by replacing "Companion Policy 24-101CP" with "Companion Policy 24-101".

14. Form 24-101F2 is amended by replacing the instructions before the heading "Exhibits" with the following:

INSTRUCTIONS:

Deliver 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.

Include client trades in an exchange-traded fund (ETF) security in the equity trades statistics.

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

15. Form 24-101F2 is further amended in Exhibit A, in Tables 1 and 2, by

(a) *deleting the row titled "T+3", and*

(b) *replacing ">T+3" with ">T+2".*

16. Form 24-101F3 is amended under the heading "INSTRUCTIONS:" by

(a) *deleting "or 10.2(4)",*

(b) *replacing "shall" with "must", and*

(c) *deleting the following:*

If you are delivering Form 24-101F3 pursuant to section 10.2 (4) of the Instrument, simply indicate at the top of this form under "Date of Commencement Information" that you were already carrying on business as a matching service utility in the relevant jurisdiction on the date that Part 6 of the Instrument came into force.

17. Form 24-101F4 is amended under the heading "INSTRUCTIONS:" by replacing "shall" with "must" in the second paragraph.

18. Form 24-101F5 is amended under the heading "INSTRUCTIONS:" by

(a) *adding the following paragraph after the first paragraph:*

Include DAP/RAP trades in an exchange-traded fund (ETF) security in the equity DAP/RAP trades statistics., **and**

(b) *replacing "shall" with "must" wherever it appears.*

19. Form 24-101F5 is amended in Exhibit C, Tables 1 and 2, by

(a) *deleting the row titled "T+3", and*

(b) *replacing ">T+3" with ">T+2".*

Transition

Registered firm's exception report – former rules apply to first quarter ending after the effective date

20. (1) For the purposes of the calculations under National Instrument 24-101 *Institutional Trade Matching and Settlement* that determine whether, with respect to the first calendar quarter ending after the effective date, Form 24-101F1 must be delivered under section 4.1 of that Instrument, a registered firm may make the determination under that Instrument as it was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.
- (2) If a registered firm is required to deliver Form 24-101F1, and the effective date is not the first day of a calendar quarter, with respect to the first calendar quarter ending after the effective date, the firm may comply with the requirement by delivering the version of Form 24-101F1 that was in force on the day before the effective date.

Clearing agency's operations report – former rules apply to first quarter ending after the effective date

21. For the purposes of section 5.1 of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a clearing agency may comply with the requirement to deliver Form 24-101F2, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F2 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

Matching service utility's operations report – former rules apply to first quarter ending after the effective date

22. For the purposes of section 6.4(1) of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a matching service utility may comply with the requirement to deliver Form 24-101F5, with respect to the first calendar quarter ending after the effective date, by delivering the version of Form 24-101F5 that was in force on the day before the effective date unless the effective date is the first day of a calendar quarter.

Meaning of effective date

23. For the purposes of sections 20 to 22 of this Instrument, “effective date” means the date this Instrument comes into force.

Effective Date

In one or more jurisdictions, the means by which this Instrument may be brought into force may differ from that set out in section 24 of this Instrument. Regardless of the means, the effective date will be the same in all jurisdictions.

24. (1) Except in Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut, and Prince Edward Island, this Instrument comes into force on the later of the following:
- (a) September 5, 2017;
 - (b) if this Instrument is filed with the Registrar of Regulations after September 5, 2017, on the day on which it is filed with the Registrar of Regulations.
- (2) In Alberta, Ontario, Québec, the Northwest Territories, the Yukon, Nunavut and Prince Edward Island this Instrument comes into force on the later of the following:
- (a) September 5, 2017;
 - (b) in the event that the SEC extends the current compliance date of September 5, 2017 for broker-dealers in the United States to meet a new T+2 settlement standard under the amendments to Rule 15c6-1, the extended date set by the SEC to be such compliance date.
- (3) For the purposes of paragraph (2)(b),
- (a) “SEC” means the United States Securities and Exchange Commission;
 - (b) “Rule 15c6-1” means SEC Rule 15c6-1, *Securities Transactions Settlement*, Exchange Act Release No. 33023 (Oct. 6, 1993), 58 FR 52891, 52893 (Oct. 13, 1993); generally cited as: 17 CFR 240.15c6-1; and
 - (c) “amendments to Rule 15c6-1” means amendments made by the SEC to Rule 15c6-1 published on March 29, 2017 in the Federal Register in the United States to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2, as set forth in SEC Release No. 34-80295; File No. S7-22-16 (RIN 3235-AL86), *Securities Transaction Settlement Cycle*; Final rule.

**CHANGES TO
COMPANION POLICY 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

1. **Companion Policy 24-101 Institutional Trade Matching and Settlement is changed by this Document.**
2. **The title of the Companion Policy is replaced by the following:**

**COMPANION POLICY 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT**

3. **Subsection 1.2(2) is changed by replacing, in the last sentence of footnote 3, the words “within one hour of the execution of the trade” with “by no later than 6 pm on the day of the trade”.**
4. **Paragraph 1.2(3)(c) is changed by replacing footnote 5 by the following:**

⁵ See, for example, section 14.12 of NI 31-103 and IIROC Member Rule 200.1(h).

5. **Subsection 1.3(1) (including footnotes) is replaced by the following (including a footnote):**

(1) **Clearing agency**

While the terms “clearing agency” and “recognized clearing agency” are generally defined in securities legislation,⁶ we have defined *clearing agency* for the purposes of the Instrument to narrow its scope to a recognized clearing agency that operates as a securities settlement system. The term *securities settlement system* is defined in National Instrument 24-102 *Clearing Agency Requirements* as a system that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Today, the definition of *clearing agency* in the Instrument applies to CDS Clearing and Depository Services Inc. (CDS). For the purposes of the Instrument, a clearing agency includes, in Québec, a clearing house and settlement system within the meaning of the *Securities Act* (Québec). See subsection 1.2(2). [footnote 6: See, for example, s. 1(1) of the *Securities Act* (Ontario).]

6. **Subsection 1.3(4) is changed by replacing the words “the Joint Financial Questionnaire and Report of the Canadian SROs” with “IIROC Form 1, Part II”.**
7. **Section 2.2 is changed by**
 - (a) **adding “Eastern Time” after “12p.m. (noon)”**,
 - (b) **deleting the second and third sentences, and**
 - (c) **adding after the first sentence the following new sentence (including a footnote):**

The policies and procedures requirement of Part 3 of the Instrument is consistent with the overarching obligation of a registered firm to manage the risks associated with its business in accordance with prudent business practices.⁷ [footnote 7: See s. 11.1 of NI 31-103, which requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with their business in accordance with prudent business practices.]

8. **Section 3.1 is changed by**

- (a) **replacing in paragraph (a), the words “a percentage target of the DAP/RAP trades” with “90 percent of the DAP/RAP trades (by volume and value)”, and**
- (b) **replacing the first word “They...” in the second sentence of paragraph (b) with the following:**

DAP/RAP trades in exchange-traded funds are reportable in the equities category of DAP/RAP trades.

Form 24-101F1 should only be submitted for DAP/RAP trades for the type of security (equity or debt) that did not meet the 90 percent threshold by the relevant timeline. If a registered firm does not meet the threshold for both equity and debt DAP/RAP trades, then it should submit the Form for both equity and debt DAP/RAP trades (i.e., by completing both tables in Exhibit A of Form 24-101F1). If the firm does not meet the threshold only for one type of security (i.e., for equity but not debt, or for debt but not equity), it should only submit the Form for the one type of security, by completing only one of the tables in Exhibit A of Form 24-101F1. A registered firm

9. Paragraph 3.2(b) is changed by

(a) replacing the first sentence with the following:

The Canadian securities regulatory authorities may consider the consistent inability to meet the matching percentage target as evidence that either the policies and procedures of one or more of the trade matching parties have not been properly designed or, if properly designed, have been inadequately complied with., **and**

(b) replacing, in the second sentence, the word “will” with “may”.

10. Section 3.3 is changed by replacing “participants or users/subscribers” with “participants, users or subscribers”.

11. Section 3.4 is changed by replacing “may” with “are encouraged to”.

12. Subsection 4.1(1) is changed by

(a) replacing the first word (“The...”) in the second sentence with the following “For the purposes of the Instrument, the...”, and

(b) adding the following text (including a footnote) after the last sentence:

In Québec, a person or company that seeks to provide centralized facilities for matching must, in addition to the requirements of the Instrument, apply for recognition as a matching service utility or for an exemption from the requirement to be recognized as a matching service utility pursuant to the *Securities Act* (Québec) or *Derivatives Act* (Québec). In certain other jurisdictions, in addition to the requirements of the Instrument, such person or company may be required to apply either for recognition as a clearing agency or for an exemption from the requirement to be recognized as a clearing agency.¹⁰ [footnote 10: See, for example, the scope of the definition of “clearing agency” in s. 1(1) of the *Securities Act* (Ontario), which includes providing centralized facilities “for comparing data respecting the terms of settlement of a trade or transaction”].

13. Section 4.2 is changed by replacing “Sections 6.1(1) and 10.2(4) of the Instrument require ...” with “Subsection 6.1(1) of the Instrument requires”.

14. Section 5.1 is changed by

(a) replacing “T+3” with “T+2”, and

(b) renumbering footnote 10 to 11.

15. This Document becomes effective on the same day as the instrument amending National Instrument 24-101 *Institutional Trade Matching and Settlement* (see Annex C of this Notice) becomes effective.
