

Nova Scotia Securities Commission

Rule 21-101 (Amendment)
Marketplace Operation

-and-

Consequential Amendments to
Rule 23-101 *Trading Rules*

-and-

Amendments to National Instrument
23-101 *Trading Rules*

-and-

Changes to Companion Policy 23-101CP to National Instrument
23-101 *Trading Rules*

WHEREAS:

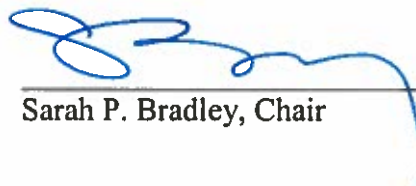
1. Pursuant to section 150 of the Securities Act, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements;
3. Amendments to National Instrument 23-101 *Trading Rules* (the Rule Amendment) and changes to Companion Policy 23-101CP to National Instrument 23-101 *Trading Rules* (the Policy Amendment), 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 Rule Amendment and Policy Amendment.

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 Amendment 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 Amendment as a policy statement of the Commission; and
- (c) declares that the rule approved and made pursuant to clause (a) and the issuance of the policy statement pursuant to clause (b) shall both take effect on **October 1, 2015**, 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 be effective until the rule is approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair of the Commission, being the member 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 15th day of July, 2015.



Sarah P. Bradley, Chair

Attachments

**Amendments to
National Instrument 23-101 Trading Rules**

- 1. National Instrument 23-101 Trading Rules is amended by this Instrument.**
- 2. National Instrument 23-101 Trading Rules is amended by replacing “shall” wherever it occurs with “must”.**
- 3. Section 5.1 is amended by**
 - (a) replacing “no person or company” with “a person or company”, and**
 - (b) adding “not” before “execute a trade”.**
- 4. Section 6.7 is amended by**
 - (a) replacing “no person or company” with “a person or company”, and**
 - (b) adding “not” before “send an order to an exchange”.**
- 5. Section 6.8 is amended by adding “, except for paragraph 6.3(1)(c),” after “In Québec, this Part”.**
- 6. Section 7.1 is amended by adding the following subsection:**
 - (3) If a recognized exchange has entered into a written agreement under section 7.2, the recognized exchange must adopt requirements, as determined necessary by the regulation services provider, that govern the recognized exchange and the conduct of the exchange’s members, and that enable the regulation services provider to effectively monitor trading on the exchange and across marketplaces..**
- 7. National Instrument 23-101 Trading Rules is amended by replacing section 7.2 with the following:**

7.2 Agreement between a Recognized Exchange and a Regulation Services Provider – A recognized exchange that monitors the conduct of its members indirectly through a regulation services provider must enter into a written agreement with the regulation services provider which provides that the regulation services provider will:

 - (a) monitor the conduct of the members of the recognized exchange,**
 - (b) monitor the compliance of the recognized exchange with the requirements set under subsection 7.1(3), and**
 - (c) enforce the requirements set under subsection 7.1(1)..**
- 8. National Instrument 23-101 Trading Rules is amended by adding the following section:**

7.2.1 Obligations of a Recognized Exchange to a Regulation Services Provider – A recognized exchange that has entered into a written agreement with a regulation services provider must

 - (a) transmit to the regulation services provider the information required under Part 11 of NI 21-101 and any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:**
 - (i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.1(1), and**
 - (ii) the conduct of the recognized exchange, including the compliance of the recognized exchange with the requirements set under subsection 7.1(3); and**
 - (b) comply with all orders or directions made by the regulation services provider..**
- 9. Section 7.3 is amended by adding the following subsection:**
 - (3) If a recognized quotation and trade reporting system has entered into a written agreement under section 7.4, the recognized quotation and trade reporting system must adopt requirements, as determined necessary by the regulation services provider, that govern the recognized quotation and trade reporting system and the conduct of the quotation and trade reporting system’s users, and that enable the regulation services provider to effectively monitor trading on the recognized quotation and trade reporting system and across marketplaces..**
- 10. National Instrument 23-101 Trading Rules is amended by replacing section 7.4 with the following:**

7.4 Agreement between a Recognized Quotation and Trade Reporting System and a Regulation Services Provider - A recognized quotation and trade reporting system that monitors the conduct of its users indirectly through a regulation services provider must enter into a written agreement with the regulation services provider which provides that the regulation services provider will

- (a) monitor the conduct of the users of the recognized quotation and trade reporting system,
- (b) monitor the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3), and
- (c) enforce the requirements set under subsection 7.3(1)..

11. National Instrument 23-101 Trading Rules is amended by adding the following section:

7.4.1 Obligations of a Quotation and Trade Reporting System to a Regulation Services Provider – A recognized quotation and trade reporting system that has entered into a written agreement with a regulation services provider must

- (a) transmit to the regulation services provider the information required under Part 11 of NI 21-101 and any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:
 - (i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.3(1), and
 - (ii) the conduct of the recognized quotation and trade reporting system, including the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3); and
- (b) comply with all orders or directions made by the regulation services provider..

12. Section 10.2 is amended by replacing “an agreement” with “a written agreement” before “with a regulation services provider that provides”.

13. This Instrument comes into force on October 1, 2015.

**Changes to
Companion Policy 23-101CP Trading Rules**

1. The changes to Companion Policy 21-101CP are set out in this Schedule.
2. ***Subparagraph 6.3(c)(ii) is changed by replacing “disaplayed” with “displayed”.***
3. ***Subsection 6.4(1) is changed by replacing “shall” with “must”.***
4. ***Companion Policy 23-101CP is changed by replacing section 7.1 with:***

7.1 Monitoring and Enforcement of Requirements Set By a Recognized Exchange or Recognized Quotation and Trade Reporting System - Under section 7.1 of the Instrument, a recognized exchange will set its own requirements governing the conduct of its members. Under section 7.3 of the Instrument, a recognized quotation and trade reporting system will set its own requirements governing the conduct of its users. The recognized exchange or recognized quotation and trade reporting system can monitor and enforce these requirements either directly or indirectly through a regulation services provider. A regulation services provider is a person or company that provides regulation services and is either a recognized exchange, recognized quotation and trade reporting system or a recognized self-regulatory entity.

If a recognized exchange or recognized quotation and trade reporting system has entered into a written agreement with a regulation services provider, it is expected that the requirements adopted by the recognized exchange or recognized quotation and trade reporting system under Part 7 of the Instrument will consist of all of the rules of the regulation services provider that relate to trading. For example, if a recognized exchange or recognized quotation and trade reporting system has entered into a written agreement with IIROC, the rules adopted by the recognized exchange or recognized quotation and trade reporting system are all of IIROC's Universal Market Integrity Rules. Clock synchronization, trade markers and trading halt requirements would be examples of these adopted rules that relate to the regulation services provider's monitoring of trading on the recognized exchange or recognized quotation and trade reporting system and across marketplaces.

We are of the view that all of the rules of the regulation services provider related to trading must be adopted by a recognized exchange or recognized quotation and trade reporting system that has entered into a written agreement with the regulation services provider given the importance of these rules in the context of effectively monitoring trading on and across marketplaces. We note that the regulation services provider is required to monitor the compliance of, and enforce, the adopted rules as against the members of the recognized exchange or users of the recognized quotation and trade reporting system. The regulation services provider is also required to monitor the compliance of the recognized exchange or recognized quotation and trade reporting system with the adopted rules but it is the applicable securities regulatory authority that will enforce these rules against the recognized exchange or recognized quotation and trade reporting system.

Sections 7.2 and 7.4 of the Instrument require the recognized exchange or recognized quotation and trade reporting system that chooses to have the monitoring and enforcement performed by the regulation services provider to enter into an agreement with the regulation services provider in which the regulation services provider agrees to enforce the requirements of the recognized exchange or recognized quotation and trade reporting system adopted under subsection 7.1(1) and 7.3(1).

Specifically, sections 7.2 and 7.4 require the written agreement between a recognized exchange or recognized quotation and trade reporting system and its regulation services provider to provide that the regulation services provider will monitor and enforce the requirements set under subsection 7.1(1) or 7.3(1) and monitor the requirements adopted under subsection 7.1(3) or 7.3(3).

Paragraph 7.2.1(a)(i) mandates that a recognized exchange must transmit information reasonably required by the regulation services provider to effectively monitor the conduct of and trading by marketplace participants on and across marketplaces. The reference to monitoring trading “across marketplaces” refers to the instance where particular securities are traded on multiple marketplaces. Where particular securities are only traded on one marketplace, the reference to “across marketplaces” may not apply in all circumstances.

Paragraph 7.2.1(a)(ii) requires that a recognized exchange must transmit information reasonably required by the regulation services provider to effectively monitor the compliance of the recognized exchange with the requirements adopted under subsection 7.1(3). As well, subsection 7.2.1(b) requires a recognized exchange to comply with all orders or directions of its regulation services provider that are in connection with the conduct and trading by the recognized exchange's members on the recognized exchange and with the regulation services provider's oversight of the compliance of the recognized exchange with the requirements adopted under 7.1(3)..

5. These changes become effective on October 1, 2015.