

Nova Scotia Securities Commission

**Rule 21-101(Amendment)
Marketplace Operation**

-and-

**Amendments to National Instrument 21-101
Marketplace Operation, Form 21-101F2 and Form 21-101F5**

-and-

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

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 21-101 Marketplace Operation, Form 21-101F2 and Form 21-101F5 and Amendments to Companion Policy 21-101CP to National Instrument 21-101 Marketplace Operation, copies of which are attached hereto and are hereinafter called the "Rule" and "Companion Policy", respectively, 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 in the *Royal Gazette*, issues the Companion Policy as a policy statement of the Commission; and

(c) declares that the rule approved and made pursuant to clause (a) and the policy statement issued pursuant to clause (b) shall both take effect on **March 5, 2007**, unless the Governor in Council 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 Governor in Council.

IN WITNESS WHEREOF this Instrument has been signed by the Chair and 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 20th day of December, 2006.



H. Leslie O'Brien, Q.C.



R. Daren Baxter

Attachments

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) Part 1 is amended by repealing the definition of “government debt security” and substituting the following definition:

“government debt security” means

(a) a debt security issued or guaranteed by the government of Canada, or any province or territory of Canada,

(b) a debt security issued or guaranteed by any municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and to be collected by or through the municipality in which the property is situated,

(c) a debt security of a crown corporation,

(d) in Ontario, a debt security of any school board in Ontario or of a corporation established under section 248(1) of the *Education Act* (Ontario), or

(e) in Québec, a debt security of the Comité de gestion de la taxe scolaire de l'île de Montréal

that is not listed on a recognized exchange or quoted on a recognized quotation and trade reporting system or listed on an exchange or quoted on a quotation and trade reporting system that has been recognized for the purposes of this Instrument and NI 23-101.

- (3) Section 6.2 is repealed and the following substituted:

“Except as provided in this Instrument, the registration exemptions applicable to dealers under securities legislation are not available to an ATS.”

- (4) Part 7 is amended by:
 - a. striking out the reference in section 7.2 to “orders” and substituting “trades”;
 - b. striking out the reference in section 7.4 to “orders” and substituting “trades”;
 - c. repealing section 7.5; and
 - d. adding the following:

“7.5 Consolidated Feed – Exchange-Traded Securities – An information processor shall produce an accurate and timely consolidated feed showing the information provided to the information processor under sections 7.1 and 7.2.

7.6 Compliance with Requirements of an Information Processor – A marketplace shall comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.”

(5) Part 8 is amended by

a. repealing subsection 8.2(1) and substituting the following:

A marketplace that displays orders of corporate debt securities to a person or company shall provide accurate and timely information regarding orders for designated corporate debt 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, as required by the regulation services provider;

b. repealing subsection 8.2(3) and substituting the following:

A marketplace shall provide accurate and timely information regarding details of trades of designated corporate debt 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, as required by the regulation services provider;

c. repealing subsection 8.2(4) and substituting the following:

An inter-dealer bond broker shall provide accurate and timely information regarding details of trades of designated corporate debt securities executed through the inter-dealer bond broker 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, as required by the regulation services provider;

d. repealing subsection 8.2(5) and substituting the following:

A dealer executing trades of corporate debt securities outside of a marketplace shall provide accurate and timely information regarding details of trades of designated corporate debt securities traded by or through the dealer 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, as required by the regulation services provider;

e. repealing section 8.5 and substituting the following:

“8.5 Reporting Requirements for the Information Processor – (1) The information processor shall report, within 30 days after the end of each calendar quarter, the process and criteria for selection of government debt securities, as applicable, and designated corporate debt securities and the list of government debt securities, as applicable, and designated corporate debt securities.

(2) The information processor shall report, within 30 days after the end of each

calendar year, the process to communicate the designated securities to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by the Instrument, including where the list of designated securities can be found.”; and

f. adding the following section:

“**8.6 Exemption for Government Debt Securities** – Section 8.1 does not apply until January 1, 2012.”

(6) Part 11 is amended by repealing section 11.2(2) and substituting the following:

“**11.2(2) Transmittal of Order Information** – A marketplace shall transmit to a securities regulatory authority or a regulation services provider, if it has entered into an agreement with a regulation services provider in accordance with NI 23-101, the information required by the securities regulatory authority or the regulation services provider, within ten business days, in electronic form as required by the securities regulatory authority or regulation services provider.

11.2(3) Electronic Form – The record kept by a marketplace under section 11.1 and subsection 11.2(1) and the transmission of information to a securities regulatory authority or a regulation services provider under subsection 11.2(2) shall be in electronic form as prescribed by a securities regulatory authority or a regulation services provider.”

(7) Part 12 is amended by adding the following section 12.3:

“**12.3 Availability of technology specifications and testing facilities** – (1) For at least two months immediately prior to operating, a marketplace shall make available to the public any technology requirements regarding interfacing with or access to the marketplace.

(2) After the technology requirements set out in subsection (1) have been published, a marketplace shall make available to the public, for at least one month, testing facilities for interfacing with and access to the marketplace.”

(8) Appendix A to National Instrument 21-101 Marketplace Operation is repealed.

**AMENDMENTS TO FORM 21-101 F2 – INITIAL OPERATION REPORT
ALTERNATIVE TRADING SYSTEM**

PART 1 AMENDMENTS

(1) This Instrument amends Form 21-101F2 *Initial Operation Report Alternative Trading System*.

(2) Exhibit G is amended by adding the following at the end of item 5:

“Where applicable, the description should include, at a minimum: the parties involved in settling the trades; the trades being settled; and the procedures to manage counterparty and settlement risk.”

AMENDMENTS TO FORM 21-101 F5 – INITIAL OPERATION REPORT FOR INFORMATION PROCESSOR

PART 1 AMENDMENTS

- (1) This Instrument amends Form 21-101F5 *Initial Operation Report for Information Processor*.
- (2) Part 1 Corporate Governance is amended by:
 - a. adding “identifying the processes and procedures which promote independence ~~from the marketplaces, inter-dealer bond brokers and dealers that provide data.~~” after “all subsequent amendments” in the description of Exhibit A;
 - b. adding “identifying those individuals with overall responsibility for the integrity and timeliness of data reported to and displayed by the system (the “System”) of the information processor,” after “the previous year” in the description of Exhibit C; and
 - c. adding “identifying the employees responsible for monitoring the timeliness and integrity of data reported to and displayed by the System.” at the end of the first sentence of the description of Exhibit E.
- (3) Part 2 Systems and Operations is amended by:
 - a. replacing “the system (the “System”) of the information processor” with “the System” in the description of Exhibit G;
 - b. adding “including data validation processes” at the end of subsection 2 of the description of Exhibit G;
 - c. repealing the current description of Exhibit H and replacing it with:

“A description in narrative form of each service or function performed by the information processor. Include a description of all procedures utilized for the collection, processing, distribution, validation and publication of information with respect to orders and trades in securities.”; and
 - d. removing the last sentence of the description of Exhibit J and replacing it with:

“Describe any measures used to verify the timeliness and accuracy of information received and disseminated by the System, including the processes to resolve data integrity issues identified.”
- (4) Part 4 Fees is amended by:
 - a. adding “and Revenue Sharing” after “Fees” to the title; and
 - b. adding “Where arrangements to share revenue from the sale of data disseminated by the information processor with marketplaces, inter-dealer bond brokers and dealers that provide data to the information processor in accordance with

National Instrument 21-101 are in place, a complete description of the arrangements and the basis for these arrangements.” at the end of the description of Exhibit O.

(5) The following section is added after Part 5:

“6. – Selection of Securities Reported to the Information Processor

Exhibit T

Where the information processor is responsible for making a determination of the data which must be reported, including the securities for which information must be reported in accordance with National Instrument 21-101, describe the manner of selection and communication of these securities. This description should include the following:

1. The criteria used to determine which securities should be reported to the information processor.
2. The process for selection of the securities, including a description of the parties consulted in the process and the frequency of the selection process.
3. The process to communicate the securities selected to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by National Instrument 21-101. The description should include where this information is located.”

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

PART 1 AMENDMENTS

1.1 Amendments

(1) This amends Companion Policy 21-101 CP.

(2) Section 3.4 is amended by:

a. adding a new subsection 3.4(6):

“3.4(6) Any registration exemptions that may otherwise be applicable to a dealer under securities legislation are not available to an ATS, even though it is registered as a dealer (except as provided in the Instrument), because of the fact that it is also a marketplace and different considerations apply.”; and

b. renumbering the subsections accordingly.

(3) Section 9.1 is amended by:

a. adding a new subsection 9.1(2):

“9.1(2) To comply with subsections 7.1 and 7.2 of the Instrument, any information provided by a marketplace to an information processor or information vendor must include identification of the marketplace and should contain all relevant information including details as to volume, symbol, price and time of the order or trade.”;

b. repealing subsection 9.1(5); and

c. renumbering the subsections accordingly.

(4) Part 10 is amended by

a. repealing subsection 10.1(1) and substituting the following:

“10.1(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, 2012. The Canadian securities regulatory authorities will continue to review the transparency requirements, in order to determine if the transparency requirements summarized in subsections (2) and (3) below should be amended.”;

b. repealing subsection 10.1(3) and substituting the following:

“10.1(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 corporate debt securities designated by the information processor, including details as to the type of counterparty, issuer, type of security, class, series, coupon and maturity, price and time of the trade and, subject to the caps set out below, the volume traded, no later than one hour from the time of the trade or such shorter period of time determined by the information processor. 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 are to be reported 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 are to be reported 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.

(c) A marketplace, an inter-dealer bond broker or a dealer will satisfy the requirements in subsections 8.2(1), 8.2(3), 8.2(4) and 8.2(5) of the Instrument by providing accurate and timely information to an information vendor that meets the standards set by the regulation services provider for the fixed income markets.”; and

d. repealing subsection 10.1(5) and substituting the following:

“10.1(5) The information processor is required to use transparent criteria and a transparent process to select government debt securities and designated corporate debt securities. The information processor is also required to make the criteria and the process publicly available.”