

ANNEX A

PROPOSED 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 by***

a. ***replacing the definition “clearing agency” with the following:***

“clearing agency” means a recognized clearing agency that operates as a securities settlement system within the meaning of National Instrument 24-102 *Clearing Agency Requirements*;

b. ***in the definition “DAP/RAP trade”,***

i. ***adding the words “in a security” immediately after “means a trade”, and***

ii. ***replacing the word “made” with “completed” in paragraph (b),***

c. ***repealing the definitions “North American region” and “T+3”, and***

d. ***replacing the semicolon at the end of the definition “T+2” with a period.***

3. ***Section 1.2 is amended by***

a. ***replacing in the heading of the section “Eastern Time” with “clearing agency”,***

b. ***replacing subsection (2) with the following:***

For the purposes of this Instrument, in Québec, a clearing agency includes a clearing house and a settlement system within the meaning of the Québec *Securities Act*.

4. ***Paragraph 2.1(f) is replaced by the following:***

(f) a trade to which Part 9 or 10 of National Instrument 81-102 *Investment Funds* applies,

5. ***Parts 3 to 8 are amended by replacing the word “shall” wherever it is found by the word “must”.***

6. ***Subsection 3.1(1) is amended by adding “Eastern Time” immediately after “12p.m. (noon)”.***

7. ***Subsection 3.1(2) is repealed.***

8. ***Subsection 3.3(1) is amended by adding “Eastern Time” immediately after “12p.m. (noon)”.***

9. ***Subsection 3.3(2) is repealed.***

10. ***Section 5.1 is amended by deleting the words “through which trades governed by this Instrument are cleared and settled”.***

11. ***Section 6.5 is replaced by the following:***

6.5 System requirements

For each system operated by a matching service utility that supports the matching service utility's trade matching function, a matching service utility must

(a) develop and maintain

- (i) an adequate system of internal controls over that system, and
 - (ii) adequate information technology general controls, including, without limitation, controls relating to information systems operations, information security, change management, problem management, network support and system software support,
- (b) in accordance with prudent business practice, on a reasonably frequent basis, and, in any event, at least annually,
 - (i) make reasonable current and future capacity estimates, and
 - (ii) conduct capacity stress tests to determine the ability of that system to process transactions in an accurate, timely and efficient manner, and
- (c) promptly notify the regulator or, in Québec, the securities regulatory authority of any material systems failure, malfunction, delay or security breach, and provide timely updates on the status of the failure, malfunction, delay or security breach, the resumption of service, and the results of the matching service utility's internal review of the failure, malfunction, delay or security breach.

12. *The Instrument is further amended by adding the following sections:*

6.6 Systems reviews

(1) A matching service utility must annually engage a qualified party to conduct an independent systems review and vulnerability assessment and prepare a report in accordance with established audit standards and best industry practices to ensure that the matching service utility is in compliance with paragraph 6.5(a) and paragraph 6.8(a).

(2) The matching service utility must provide the report resulting from the review conducted under subsection (1) to

- (a) its board of directors, or audit committee, promptly upon the report's completion, and
- (b) the regulator or, in Québec, the securities regulatory authority, by the earlier of the 30th day after providing the report to its board of directors or the audit committee or the 60th day after the calendar year end.

6.7 Matching service utility technology requirements and testing facilities

(1) A matching service utility must make available to its users, in their final form, all technology requirements regarding interfacing with or accessing the matching service utility

- (a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by users, and
- (b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by users.

(2) After complying with subsection (1), the matching service utility must make available testing facilities for interfacing with or accessing the matching service utility

- (a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by users, and
- (b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by users.

(3) The matching service utility must not begin operations before

- (a) it has complied with paragraphs (1)(a) and (2)(a), and
- (b) the chief information officer of the matching service utility, or an individual performing a similar function, has certified in writing to the regulator or, in Québec, the securities regulatory authority,

<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>
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# 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.

15. Form 24-101F1 is further amended by replacing references to "Companion Policy 24-101CP" under the headings "Exhibit B – Reasons for not meeting exception reporting thresholds" and "Exhibit C – Steps to address delays" with "Companion Policy 24-101"

16. Form 24-101F2 is amended under the heading "INSTRUCTIONS:" by

a. **inserting the following paragraph immediately after the first paragraph:**

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

b. **replacing "shall" with "must" in the last sentence.**

17. Form 24-101F2 is further amended in each of Table 1 (Equity trades) and Table 2 (Debt trades) under the heading and subheadings "EXHIBITS: – 1. DATA REPORTING – Exhibit A – Aggregate matched trade statistics" by removing the entire row titled "T+3" and changing the title of the row titled ">T+3" with ">T+2".

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

a. **deleting "or 10.2(4)" in the first sentence,**

b. **replacing "shall" with "must" in the second paragraph,**

c. **deleting the last sentence of the last paragraph.**

19. Form 24-101F3 is further amended under the heading "6. SYSTEMS COMPLIANCE" by

a. **replacing the text of Exhibit K – Security with the following:**

Exhibit K – General and security

Provide a high level description of the systems used to perform your services of a matching service utility, including the processes and procedures implemented by you to provide for the security of the systems.

b. **replacing the text under the subheading "Exhibit M – Business continuity" with the following:**

Exhibit M – Business continuity

Provide a brief description of your business continuity and disaster recovery plans that includes, but is not limited to, information regarding the following:

1. Where the primary processing site is located.
2. What the approximate percentage of hardware, software and network redundancy is at the primary site.
3. Any uninterruptible power source (UPS) at the primary site.
4. How frequently market data is stored off-site.

5. Any secondary processing site, the location of any such secondary processing site, and whether all of the matching service utility's critical business data is accessible through the secondary processing site.
6. The creation, management, and oversight of the plans, including a description of responsibility for the development of the plans and their ongoing review and updating.
7. Escalation procedures, including event identification, impact analysis, and activation of the plans in the event of a disaster or disruption.
8. Procedures for internal and external communications, including the distribution of information internally, to the securities regulatory authority, and, if appropriate, to the public, together with the roles and responsibilities of the matching service utility's staff for internal and external communications.
9. The scenarios that would trigger the activation of the plans.
10. How frequently the business continuity and disaster recovery plans are tested.
11. Procedures for record keeping in relation to the review and updating of the plans, including the logging of tests and deficiencies.
12. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the matching service utility and the service level to which such systems are to be restored.
13. Any single points of failure faced by the matching service utility.

c. ***replacing the text of "Exhibit O – Independent systems audit" with the following:***

Exhibit O – Independent systems audit

1. Provide high level information on the qualified party engaged to provide an annual independent systems review and vulnerability assessment.
2. If applicable, provide a copy of the last systems operations audit report.

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

21. 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.

b. ***replacing "shall" with "must" in the second and third sentences.***

22. Form 24-101F5 is further amended under the heading "EXHIBITS" by

a. ***adding the text and punctuation "malfunction, delay or security breach" immediately after "systems failures" in the sentence under the subheadings "1. SYSTEMS REPORTING – Exhibit B – Material systems failures reporting"***

b. ***by removing the entire row titled ">T+3" and changing the title of the row titled ">T+3" with ">T+2" in each of Table 1 (Equity trades) and Table 2 (Debt trades) under the subheadings "2. DATA REPORTING – Exhibit C – Aggregate matched trade statistics".***

23. This Instrument comes into force on September 5, 2017.
