

## CSA Staff Notice and Request for Comment 21-323 Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities, Expanded Transparency of Trades in Corporate Debt Securities and Proposed Amendments to National Instrument 21-101 *Marketplace Operation* and Related Companion Policy

May 24, 2018

### Introduction

Staff (**we**) of the Canadian Securities Administrators (**CSA**) are publishing for comment amendments to National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) and the related Companion Policy 21-101 (**21-101CP**) (together the **Proposed Amendments**).

The text of the Proposed Amendments is contained in Annexes B and C of this notice and is also available on websites of CSA jurisdictions, including:

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

[www.albertasecurities.com](http://www.albertasecurities.com)

[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

[www.fcmb.ca](http://www.fcmb.ca)

[nssc.novascotia.ca](http://nssc.novascotia.ca)

[www.osc.gov.on.ca](http://www.osc.gov.on.ca)

[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

[www.mbsecurities.ca](http://www.mbsecurities.ca)

### Substance and purpose

The purpose of this notice is to request comments on the Proposed Amendments. The Proposed Amendments would implement:

- a proposed framework for mandatory post-trade transparency of trades in government debt securities<sup>1</sup> (**Proposed Government Debt Framework**).
- a proposal to expand the framework for mandatory post-trade transparency of trades in corporate debt securities (**Expanded Corporate Debt Proposal**).

We anticipate implementing both the Proposed Government Debt Framework and the Expanded Corporate Debt Proposal in phases, with the first phase commencing on April 1, 2019. Our

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<sup>1</sup> “Government debt security” is defined in section 1.1 of National Instrument 21-101 *Marketplace Operation* and includes debt securities issued or guaranteed by the government of Canada, a province or territory, a Canadian municipality or crown corporation.

objective is to achieve uniform post-trade transparency of trades in government and corporate debt securities by December 31, 2019.

To develop the Proposed Government Debt Framework, we formed a working group (**Working Group**) with staff of the Bank of Canada (**BoC**), the Department of Finance Canada (**Finance**) and Investment Industry Regulatory Organization of Canada (**IIROC**). We thank them for their participation and for sharing their knowledge and expertise.

## **Summary of the Proposed Amendments**

The Proposed Amendments will introduce mandatory post-trade transparency requirements for government debt securities and expand transparency requirements for corporate debt securities as described below.

### ***(a) Government debt securities***

Section 8.1 of NI 21-101 currently requires marketplaces and interdealer bond brokers (**IDBBs**) trading government debt securities to provide order and trade information to an information processor (**IP**), as required by the IP. Section 8.6 of NI 21-101, which provided a time-limited exemption from the government debt transparency requirements, has now expired. Despite the expiry of the exemption, because no requirements have been set by an IP, there is no mandatory government debt transparency in place.<sup>2</sup>

The Proposed Government Debt Framework, if adopted, will be established by the Proposed Amendments and the appointment of an IP for government debt securities, and will be implemented through requirements set by the IP.

The Proposed Amendments change the existing provisions of NI 21-101 to require a person or company that executes trades in government debt securities to provide information regarding trades in these securities to an IP. We also propose to require an IP for government debt securities to disseminate post-trade information about such trades. As a result, mandatory post-trade transparency of trades in government debt securities will apply to entities beyond IDBBs and marketplaces. The IP, with the approval of the CSA, will identify the persons or companies required to report details of trades in government debt securities and the model for reporting and disseminating such information (including the publication delay and volume caps). Initially, we propose that the IP disseminate information regarding trades in government debt securities executed by dealers, marketplaces, IDBBs and banks listed in Schedule I, II or III of the *Bank Act* (Canada) (**Banks**).

The Proposed Government Debt Framework is described in Annex A.

### ***(b) Corporate debt securities***

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<sup>2</sup> CSA Staff Notice 21-320 Update: *National Instrument 21-101 Marketplace Operation and Related Companion Policy – Dealing with Government Debt Transparency*.

Section 8.2 of NI 21-101 requires marketplaces, IDBBs and dealers to provide information about orders and trades for designated corporate debt securities to an IP, as required by the IP. IIROC has been the IP for corporate debt securities since July 4, 2016 and is currently disseminating post-trade information regarding trades in corporate debt securities.<sup>3</sup>

The Expanded Corporate Debt Proposal, if adopted, will be established by the Proposed Amendments and implemented through requirements set by the IP.

The Proposed Amendments expand the existing corporate debt transparency provisions to require a person or company that executes trades in corporate debt securities to provide information regarding trades in these securities to an IP. As a result, mandatory post-trade transparency of trades in corporate debt securities will apply to entities beyond dealers, marketplaces and IDBBs. As with the Proposed Government Debt Framework, the IP will identify the persons or companies required to report details of trades in corporate debt securities with the approval of the CSA. The IP will disseminate information regarding trades in corporate debt securities executed by dealers, marketplaces, IDBBs and Banks.

***(c) Other amendments for both government and corporate debt securities***

To further align the transparency regimes, we propose to make a number of other related amendments to NI 21-101 and 21-101CP. These include:

- amending the requirement that the IPs for unlisted debt securities produce a real-time consolidated feed showing order and trade information to a requirement to produce consolidated information about trades, consistent with the current approach for corporate debt securities;
- amending the transparency requirement to report order and trade information in corporate debt securities that are designated by an IP to be a requirement to report details of all trades of corporate debt securities, consistent with the current approach of the IP for corporate debt securities; and
- removing descriptions of volume caps and other operational details from 21-101CP, as these will be set by the IP and approved by the CSA.

***(d) IIROC as the information processor***

We propose that IIROC expand its mandate as IP to include government debt securities in addition to corporate debt securities.

As the IP for corporate debt securities, IIROC has been providing transparency to the public regarding all trades in corporate debt securities since July 4, 2016. We set out the benefits of extending IIROC's role as IP for corporate debt securities to government debt securities in Annex A below.

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<sup>3</sup> Prior to July 4, 2016, CanPX had been the IP for corporate debt securities.

In addition, CSA staff will continue to conduct oversight activities to ensure that IIROC complies with its regulatory requirements as the IP for corporate and government debt securities in Canada.

## **Annexes**

- A. Framework for the Regulation and Transparency of the Government Debt Market, Description of the Expanded Corporate Debt Proposal and of the Proposed Amendments;
- B. Proposed Amendments to NI 21-101 and 21-101CP;
- C. Proposed Amendments to NI 21-101 and 21-101CP, blacklined to the current versions; and
- D. Local Matters.

## **Local matters**

Certain jurisdictions are publishing other information required by local securities legislation. In Ontario, this information is contained in Annex D of this notice.

## **Deadline for comments**

Please submit your comments to the Proposed Amendments, in writing, on or before August 29, 2018. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

## **Where to send your comments**

Address your submissions to all of the CSA jurisdictions, as follows:

Alberta Securities Commission  
Autorité des marchés financiers  
British Columbia Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Financial and Consumer Services Commission (New Brunswick)  
Manitoba Securities Commission  
Ontario Securities Commission  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA jurisdictions.

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22<sup>nd</sup> Floor  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, rue du Square-Victoria, 22<sup>e</sup> étage,  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3  
Fax : 514-864-6318  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

**Comments received will be publicly available**

Please note that we cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In this context, you should be aware that some information which is personal to you, such as your email and address, may appear on certain CSA web sites. It is important that you state on whose behalf you are making the submissions.

All comments will be posted on the Ontario Securities Commission web site at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and on the Autorité des marchés financiers web site at [www.lautorite.qc.ca](http://www.lautorite.qc.ca).

## Questions

Questions may be referred to:

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