

Chapter 5

Rules and Policies

5.1.1 Notice of Amendments to National Instrument 21-101 Marketplace Operation and Companion Policy 21-101CP and to National Instrument 23-101 Trading Rules and Companion Policy 23-101CP

NOTICE OF RULES AND POLICIES MADE UNDER THE SECURITIES ACT

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

AND TO

NATIONAL INSTRUMENT 23-101 TRADING RULES AND COMPANION POLICY 23-101CP

I. INTRODUCTION

The Commission has, under section 143 of the *Securities Act* (Ontario) (the Act), made rules (collectively, the Rule Amendments) that amend the following instruments:

1. National Instrument 21-101 *Marketplace Operation* (NI 21-101) and
2. National Instrument 23-101 *Trading Rules* (NI 23-101 and together with NI 21-101, the ATS Rules).

The Commission also has, under section 143.8 of the Act, adopted policies (collectively, the Policy Amendments and together with the Rule Amendments, the Amendments) that amend the following policies of the Commission:

1. Companion Policy 21-101CP to NI 21-101 and
2. Companion Policy 23-101CP to NI 23-101.

The Rule Amendments and the material required by the Act to be delivered to the Minister of Finance were delivered on October 31, 2003.

The CSA intends to have the Amendments become effective in all jurisdictions on December 31, 2003. However, it may not be possible for all jurisdictions to approve the Amendments by that date, so the Amendments may not become effective in all jurisdictions at the same time. In the event that a jurisdiction cannot meet the December 31, 2003 effective date, market participants may need to seek exemptive relief as appropriate until such time as the Amendments are effective in that jurisdiction.

If the Minister does not take active steps to approve the Rule Amendments, reject the Rule Amendments, or return the Rule Amendments to the Commission for further consideration, the Rule Amendments come into effect on January 14, 2004. The Policy Amendments will come into force on the effective date of the Rule Amendments.

The Canadian Securities Administrators (the CSA or we) published a proposal for comment that would amend the ATS Rules. The proposed amendments were published in Ontario on June 13, 2003 at (2003) 26 OSCB 4377.

The CSA thank all that submitted comments on the proposed amendments. A list of those that submitted comments as well as a summary of comments and responses is attached as Appendix A to this Notice. As a result of these comments, the CSA has decided to make non-material changes to some of the provisions of the proposed amendments; these changes are outlined below under a separate heading.

II. SUBSTANCE AND PURPOSE OF THE AMENDMENTS

(a) Data Consolidation and Market Integration for Exchange-Traded Securities and Foreign Exchange-Traded Securities

In November 2002, the CSA struck an industry committee to examine the issues surrounding data consolidation and market integration. The Industry Committee on Data Consolidation and Market Integration (the Industry Committee) issued a report

dated March 2, 2003 that was published on June 13, 2003. The Industry Committee recommended replacing the data consolidation requirements with the establishment of certain technology standards. They also recommended replacing market integration with a focus on fair access and best execution obligations.

In response to the report of the Industry Committee, we proposed amendments to the ATS Rules that:

- (1) will allow information on orders and trades to be sent to an information vendor that meets the standards set by a regulation services provider (RS Inc.),¹
- (2) delete the concept of “market integrator”² and will focus on ensuring compliance with best execution requirements for dealers and fair access requirements for marketplaces.³
- (3) provided an exemption from the transparency requirements for 3 years with respect to options.⁴

In addition, the CSA struck the Trade Reporting and Electronic Audit Trail Committee (TREATS Committee) to examine and determine the appropriate standards that should be applied to the consolidation of the pre-trade and post-trade data of marketplaces trading equity securities. This committee is chaired by Anne Marie Ryan and is composed of representatives of investment dealers, marketplaces, information vendors, and other market participants. Additionally, representatives from Market Regulation Services Inc. (RS), the Investment Dealers Association of Canada (IDA), the Bourse de Montréal, and the Ontario Securities Commission sit as observers to the committee.

The TREATS Committee’s mandate required it to identify and discuss issues, options and recommendations regarding the standards for an open model of consolidating data relating to orders and trades of equity securities traded on marketplaces in Canada. In so doing, the TREATS Committee considered the following:

- Different models for consolidation
- Types of marketplaces that qualify for consolidation
- Standards for access to markets and publishing of market data
- Content of data to be published
- Service level issues
 - Reliability and integrity of data
 - Clock synchronization
 - Market hours
 - Outage handling
- Naming standards and conventions
- Issues relating to market regulation

The CSA thank the members of the TREATS Committee for their efforts, which have confirmed that the approach recommended by the Industry Committee is feasible. The report of the TREATS Committee is attached to this Notice as Appendix B.

In its report, the TREATS Committee proposed an open model whereby marketplaces would be free to choose which protocol they wish to use to report their pre- and post-trade information. However, there would be common standards for regulatory and transparency requirements.

RS would determine and set a common standard for its regulatory feed regarding what data elements would have to be provided and common standards for data integrity and delivery service levels for the data feed provided to it. RS would also determine

¹ Amendments to NI 21-101, subsection 1.1(4) regarding Part 7.

² Amendments to NI 21-101, subsection 1.1(2) regarding section 1.1.

³ NI 21-101, section 5.1, NI 23-101 section 4.2 and Amendments to NI 21-101, subsection 1.1(3) regarding the addition of section 6.13.

⁴ Amendments to NI 21-101, section 1.1(4) regarding section 7.5.

and set certain minimum standards for data feeds from marketplaces to information vendors with respect to the required data elements and with respect to timeliness and operability. Beyond the required minimums, marketplaces would be free to provide whatever information it feels supports its competitive position.

In the current environment, marketplaces would have various options for how they provide the regulatory feed and data feeds:

- (1) A marketplace could deliver the regulatory feed to TSX or another marketplace which would provide it to RS and publicly disseminate order and trade information;
- (2) A marketplace could deliver the regulatory feed to a certified information vendor which would provide it to RS and publicly disseminate order and trade information; or
- (3) A marketplace could directly deliver a data feed to RS for regulatory purposes and separately provide order and trade information to a certified information vendor for public dissemination.

We have made non-material changes to the Amendments to reflect the TREATS Committee's recommendations. Part 9 of the Companion Policy 21-101CP clarifies that the regulatory feed and the data feeds must meet minimum standards set by a regulation services provider. If a marketplace has executed a contract with RS, then the marketplace may only use an information vendor that meets the standards set by RS.

(b) Electronic Audit Trail

Part 12 of NI 23-101 sets record keeping requirements about orders and trades that are applicable to dealers. In addition, dealers must transmit information to a regulation services provider when requested by the regulation services provider. The provisions require that the audit trail and the information to be transmitted to the regulation services provider be in electronic form.

The electronic requirements were initially to be effective as of December 31, 2003. This date was selected to coincide with the implementation of T+1 in June 2004. However, after consultation with market participants, and due to the delay in implementation of T+1, we have amended the ATS Rules to postpone the implementation of these requirements until the earlier of January 1, 2007 and the date upon which a self-regulating organization or a regulation services provider implements an electronic audit trail requirement.

In the meantime, we have asked the TREATS Committee to identify and discuss issues, options and recommendations regarding the technology standards and an implementation plan for the electronic audit trail requirements for orders and trades in securities, including equity securities, options and debt securities.

The TREATS Committee is continuing with its mandate regarding the electronic audit trail and will be reporting back to the CSA in 2004. The CSA, with the relevant self-regulatory organizations, will then provide more detailed information regarding implementation of audit trail requirements.

(c) Regulation Services Provider

The CSA wishes to clarify that the IDA qualifies as a regulation services provider for marketplaces that trade unlisted debt securities, inter-dealer bond brokers and dealers executing trades of unlisted debt securities outside of a marketplace in jurisdictions where it has been recognized as a self-regulatory organization.

RS Inc. is a recognized self-regulatory organization and is the regulation services provider for marketplaces that trade exchange-traded and foreign exchange-traded securities.

(d) CanPX as Information Processor for Corporate Debt Securities

The CSA notes that CanPX has currently been approved to act as the information processor for corporate debt securities until December 31, 2006 in Ontario, British Columbia, Alberta, Quebec, and New Brunswick. The securities regulatory authorities of other jurisdictions are also considering approving CanPX to act as the information processor for corporate debt securities and may grant their approval subsequent to the publishing of this Notice.

(e) Transparency of Government Debt Securities

The CSA received three responses to the request for comment as to whether to maintain the status quo for three years with respect to transparency of government debt securities or to require IDBs and all marketplaces to provide anonymously post-trade information on government debt securities subject to volume caps. Two commenters favoured the status quo level of transparency for another three years. One commenter expressed its concern that the use of volume caps would erode the status

quo level of transparency for government debt securities. Consequently, the status quo level of transparency will be maintained as reflected in the Amendments. A summary of the comments and the CSA's response is included in Appendix A to this Notice.

(f) Changes Made to the Amendments

In response to comments received, we will make a number of non-material changes to the Amendments.

- We will amend proposed subsections 7.1(1) and 7.2 of NI 21-101 by deleting "with which the marketplace has executed a contract under NI 23-101". It was always anticipated that some exchanges and quotation and trade reporting systems may maintain their regulatory functions and may not have contracted with a regulation services provider.
- We will amend subsection 8.1(1) of NI 21-101 by adding "to a person or company" after "that displays orders of government debt securities" to maintain consistency with subsections 7.1(1) and 7.3(1).
- We will amend subsection 8.2(1) of NI 21-101 by adding "to a person or company" after "that displays orders of corporate debt securities" to maintain consistency with subsections 7.1(1) and 7.3(1).
- We will repeal all of Part 9 of NI 21-101. Without the market integration requirement, this Part is not needed.
- We will amend section 10.1 so as to clarify that marketplaces have to make publicly available their schedules of transaction fees.
- We will amend subsection 2.1(1) of the Companion Policy 21-101CP by clarifying that Canadian securities regulatory authorities consider a dealer that internalizes its orders of exchange-traded securities to be a marketplace, unless that dealer executes and prints on an exchange or quotation and trade reporting service in accordance with the requirements of the exchange or quotation and trade and reporting service.
- We will amend section 9.1 of the Companion Policy 21-101CP by clarifying that if a marketplace enters into a contract with regulation services provider under NI 23-101, that marketplace must provide information to an information processor meeting standards set by that regulation services provider. These standards will apply to reporting and regulatory feeds and include core data elements and service levels. If a marketplace performs its own regulation, then it will set its own standards.
- We will amend Part 11 of the Companion Policy 21-101CP by repealing sections 11.2 and 11.3 along with 11.1 and 11.4. Furthermore, in section 11.5, we deleted "the market" and substituted "developments" with respect to what we will continue to monitor.

IV. Questions

Questions may be referred to any of:

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APPENDIX A

LIST OF COMMENTATORS AND SUMMARY OF COMMENTS WITH CSA RESPONSES

In response to the Request for Comments published on June 13, 2003 at (2003) 26 OSCB 4377, the following persons submitted comment letters:

1. Simon Romano
2. Jayson Horner (CanDeal)
3. Sheryl Kennedy (Bank of Canada) and Bob Hamilton (Department of Finance)
4. Joseph J. Oliver (IDA)
5. Laurence Rose (CBID)
6. Thomas C. MacMillan (Canadian Capital Markets Association)

Below is a summary of the comments received and the CSA's response.

I. General

A commenter noted its concern with costs and conflicting interests with respect to having CanPX act as the information processor for corporate debt securities. The commenter asks whether it would be preferable to require marketplaces to provide post-trade information for corporate debt securities to an information vendor.

CanPX has been approved to act as the information processor for corporate debt securities until December 31, 2006 on the basis that consolidation is appropriate for corporate debt securities. The CSA will continue to meet with the Bond Market Transparency Committee and to monitor whether it is appropriate to maintain the information processor model of transparency or to move to the model adopted in the equity market and whether the level of transparency imposed is appropriate.

A commenter suggested that all ATSS displaying executable prices should have the same transparency requirements as IDBs.

This point was the topic of much discussion amongst the Bond Market Transparency Committee, and there were varying views from the committee. At this time, the CSA has determined to maintain the position set out in the Amendments but will continue to consult with market participants on this issue.

A commenter noted that the ATS Rules distinguish between debt securities that are listed on an exchange and those that trade over-the-counter. The commenter noted that the ATS Rules mandate that debt securities listed on an exchange must trade on a marketplace in compliance with the Universal Market Integrity Rules (UMIR). The commenter asserted that it was always intended that these listed debt securities trade as if over-the-counter, that they were only listed for tax and other investment related reasons. This was offered as the basis of exemptions granted by exchanges from equity trading rules for listed debt securities. The commenter asserts that requiring the trading of listed debt securities on a marketplace in accordance with UMIR will damage the liquidity in those listed debt securities.

The treatment of debt securities is in accordance with the rules of the exchange on which they are traded, not the ATS Rules.

II. Specific Request for Comment

The CSA sought comment on whether to maintain the status quo for three years by granting an exemption from the transparency requirements for government debt securities or require that IDBs and all marketplaces provide post-trade information regarding government debt securities to the information processor subject to volume caps and on a fully anonymous basis (no name of subscriber or marketplace).

A commenter favoured the status quo transparency requirements rather than the adoption of a requirement that IDBs and all marketplaces provide post-trade information to an information vendor subject to volume caps on a fully anonymous basis.

A commenter noted approval of the 3-year moratorium on transparency requirements for government debt securities as provided in the proposed section 8.3 of NI 21-101. The commenter suggested that the interaction of information vendors and ATSS could produce a simpler, less costly, and more effective transparency outcome than direct mandate by the ATS Rules.

A commenter noted its concern that the alternative of volume caps would reduce the current level of transparency for government debt securities. The commenter suggested that we should look at further alternatives but did not provide any suggested alternatives.

The status quo and current level of transparency will be maintained. During the exemption period, we will continue to discuss with the industry the appropriate transparency levels for government debt securities and corporate debt securities and monitor how the market develops.

III. Specific Comments about the Provisions of the Amendments

(a) Scope of "marketplace" definition

A commenter suggested that the inclusion within "marketplace" of dealers internalizing orders but not printing on an exchange or QTRS in the proposed s. 2.1(1) of NI 21-101CP is inconsistent with subsection. 2.1(5) and other provisions of NI 21-101CP. The commenter suggests that this interpretation would extend the ATS Rules to all dealers. The commenter suggests that, instead, dealers should be obligated to supply trade information to an information vendor if the trade is not otherwise publicly disclosed, barring exemption.

The CSA have amended the provision to clarify that dealers are considered to be marketplaces if they do not execute and print the trades in accordance with the rules of the exchange or quotation and trade reporting system.

(b) Market integration and ATS access requirements

A commenter suggested that the access requirements of the proposed section 6.13 of NI 21-101 are inconsistent with the philosophical approach to ATS regulation and, accordingly, should not be proceeded with.

The CSA disagrees with this assertion. We are of the view that that there is a need to have fair access and that this requirement must be applied equally to all marketplaces.

(c) Information transparency requirements

A commenter suggested that the reference to "any information vendor" in proposed sections. 7.1 to 7.4 of NI 21-101 would force marketplaces to all information vendors. The commenter suggested that revising the sections to read "an information vendor" would allow a marketplace to choose to which information vendors it provides the required information.

We have made the corresponding changes. We note that if a marketplace enters into a contract with a regulation services provider, it must provide information to an information vendor that complies with standards set by that regulation services provider.

Two commenters noted concern that proposed sections 7.1, 7.2, 8.1 and 8.2 mandate a marketplace to provide information "as required." The commenters believed that the nature of the information provided should be a result of agreement between the marketplace and the information processor or vendor, or determined by the Commission if the parties cannot so agree.

The requirements have been and will be developed in consultation with the CSA. The CSA will monitor these requirements so that they will not be used as a barrier to entry.

A commenter noted subsections 7.1(1) and 7.3(1) of NI 21-101 refer to the display of orders of securities "to a person or company," whereas subsections 8.1 and 8.2 refer only to the display of orders, but not "to a person or company."

We have made the corresponding changes.

(d) Confidentiality

A commenter asked whether the confidentiality provisions will affect the notice and comment procedures during recognition applications by exchanges and QTRSs.

Confidentiality applies to forms that provide intimate financial, commercial and technical information. This information is more detailed than the information provided in the published recognition or exemption applications filed by exchanges or QTRSs. Applications for exemption or recognition as an exchange or QTRS will continue to be published for comment.

(e) Audit Trail Requirements

One commenter suggested that the Part 11 requirements of NI 23-101 should augment the straight-through processing (STP) initiative. The commenter felt that it is important that the Part 11 requirements be consistent with institutional trade processing best practices and standards as set forth by the Canadian Capital Markets Association. Moreover, the commenter noted concern that the effective date of January 1, 2007 is substantially after June 2005, the date targeted for STP.

The audit trail requirements are currently being examined as part of the mandate of the TREATS Committee. The TREATS Committee's participants include representatives taking an active role in developing the CCMA standards in order to identify any inconsistencies.

APPENDIX B
PRELIMINARY SUMMARY OF RECOMMENDATIONS
FOR
DATA CONSOLIDATION IN CANADA

Presented to the Canadian Securities Administrators (CSA)
and Regulation Services Inc.

By

The Industry Committee on
Trade Reporting and Electronic Audit Trail Standards
(TREATS)

Version 1.6
Oct. 20, 2003

Background

National Instrument 21-101 and its companion policies (known as the ATS Rules), which became effective December 2001, sought to establish a framework wherein multiple competing marketplaces could operate in Canada for the purpose of trading securities. The framework established specific principles to provide for a consolidated market where all participants would have access to information to prevent market fragmentation. In addition, the ATS Rules were intended to facilitate “best execution” and ensure market integrity.

In attempting to define a structure for a consolidated market, National Instrument 21-101 stated that a marketplace must publish pre-trade and post-trade information. Specifically, it stipulated that the marketplace must publish information regarding orders of exchange-traded securities or foreign-exchange traded securities and information regarding details of all trades of exchange-traded securities or foreign exchange-traded securities. National Instrument 21-101 envisioned a model whereby an information consolidator would provide a consolidated data feed of all information reported by all marketplaces trading the securities specified.

Further to the establishment of National Instrument 21-101, the CSA formed an Industry Committee on Data Consolidation and Marketplace Integration (the Industry Committee). The Industry Committee report recommended a market-driven solution to provide for data consolidation and market integration, stating that a more open model should be adopted. The Industry Committee also recommended that a consolidated market be achieved by the specification of minimum standards for data publishing requirements and that a common protocol should be adopted for market data feeds.

Several submissions to the Industry Committee proposed that an open model would allow for various choices to meet reporting requirements as specified in the rule. This open model provided that each marketplace must publish their information in real-time to data vendors and to market participants as well as to the regulators.

Subsequent to these recommendations of the Industry Committee (March 2003), the CSA formed another committee to review the appropriate standards for data consolidation as well as the requirements for an electronic audit trail. This committee, known as the Industry Committee on Trade Reporting and Electronic Audit Trail Standards (TREATS) was convened in June 2003.

Mandate of the TREATS Committee

The mandate of the TREATS committee includes two primary goals:

- to “identify and discuss issues, options and recommendations regarding the standards for an open model of data consolidation for equity securities traded on marketplaces in Canada” and

- to “identify and discuss issues, options and recommendations regarding technology standards and an implementation plan for the electronic audit trail requirements for orders and trades in securities as defined in the *Securities Act* (Ontario)”.⁵⁶

In the mandate, the TREATS Committee agreed to present a preliminary report on data consolidation to the CSA by September 30, 2003. This preliminary report will indicate the timeframe for the final report(s) that will provide recommendations regarding the standards for equity data consolidation and the electronic audit trail.

The final TREATS report(s) will present recommendations to the CSA regarding the appropriate standards for the open model of data consolidation and the implementation plan for the electronic audit trail.

The following summarizes the preliminary recommendations of the TREATS committee related to an open model for data consolidation for equity marketplaces in Canada.

Objectives for Data Consolidation

In an environment with multiple marketplaces and interlisted securities, real time market data feeds need to fulfill two main purposes:

1. Deliver necessary quote and trade data from the marketplace to market participants, thereby facilitating best execution and compliance with market integrity rules (UMIR)
2. Deliver necessary regulatory data from the marketplace to the regulator to facilitate market surveillance and investigation.

The TREATS Committee defined the following objectives for an open model for data consolidation:

- to provide transparent markets⁷ for all key stakeholders for pre-trade and post-trade information.
- to facilitate best execution while supporting flexible trading methodologies
- to facilitate effective market regulation and market integrity
- to minimize additional costs to the investment community

Proposed Open Model

The TREATS Committee examined the recommendations of the Industry Committee as well as submissions which had been made to it.

The TREATS Committee used the following criteria in determining what the best solution should be for the CSA:

1. There should be one standard for reporting to the regulators for all marketplaces.
2. Each marketplace should have more than one option for the manner in which it delivers that standard information to the regulators.
3. The proposed solution should leverage the current investment made in technology to data as much as reasonably possible.

Standard for Marketplace Reporting to the Regulators

The TREATS Committee recommended that a standard feed protocol should be used for regulatory reporting. The committee established a Technical Sub-Committee to review current standards and protocols used in the industry (including STAMP, FIX,

⁵ TREATS Committee Mandate, as approved June 26, 2003

⁶ While the model for data consolidation addresses only those marketplaces which trade equity securities, it should be noted that the audit trail requirements apply to marketplaces trading other securities (including debt securities) as defined in National Instrument 21-101.

⁷ To facilitate transparency requirements (as defined in National Instrument 21-101), the minimum requirement is for each marketplace to publish quote and trade data to at least one recognized market data vendor. Mandatory data elements are also defined in National Instrument 21-101.

ISO15022, etc) and to make recommendations concerning the adoption of a standard protocol for use here in Canada. The Technical Sub-Committee felt that no single protocol⁸ provided an optimal solution but did conclude that a common data dictionary must be defined by the regulators.

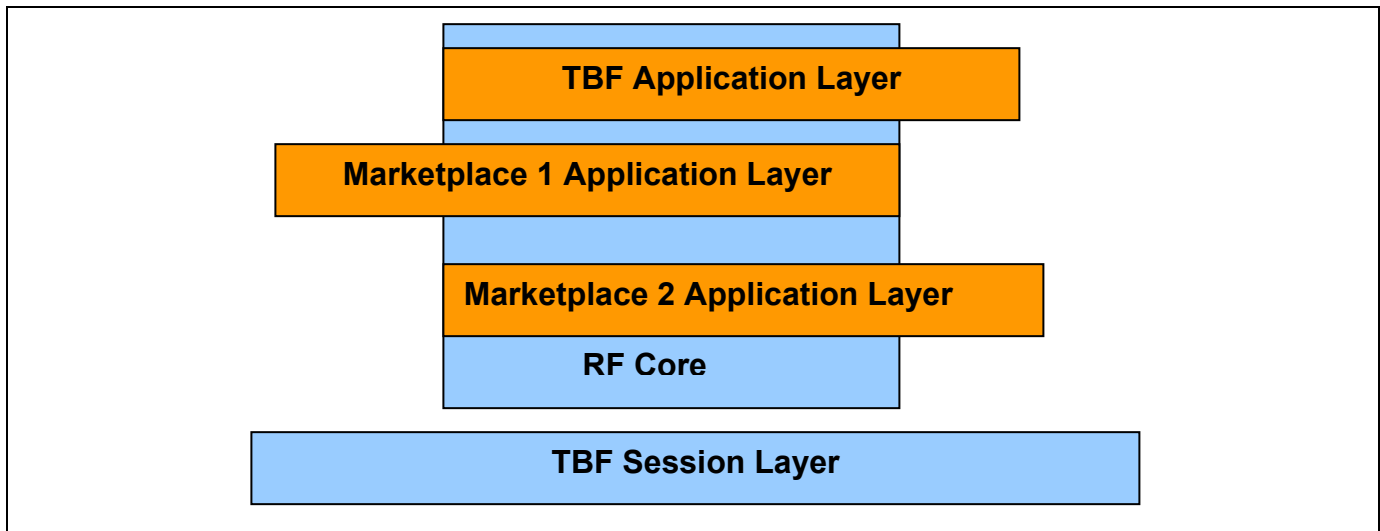
The TREATS Committee concluded that a single protocol for regulatory reporting still provided the best solution and that a specification should be defined for a newly developed Regulatory Feed (RF). This data feed would consist of core data elements to be defined by RS Inc. and be modeled after the TBF protocol as much as possible, including message formats and session layers.

Each marketplace will be responsible for reporting to the regulator in the specified RF protocol, directly or indirectly. Furthermore, each marketplace can choose to enrich the RF protocol by adding unique data elements and messages suited to their business model for reporting to other stakeholders. For the purposes of this document, this will be referred to as an RF+ feed.

In addition to the regulatory content of the RF protocol, the TREATS Committee is recommending that all values relating to the delivery of this feed to the regulators be defined, including a certification process that would be a pre-requisite for market operation. Ongoing adherence to this standard could be managed as part of periodic technology audits performed by the regulators.

The TREATS Committee is recommending that the RF protocol be developed within six months and that it should leverage existing technology investments already made in developing the TBF protocol.

Diagram 1: Regulatory Feed (RF) Protocol



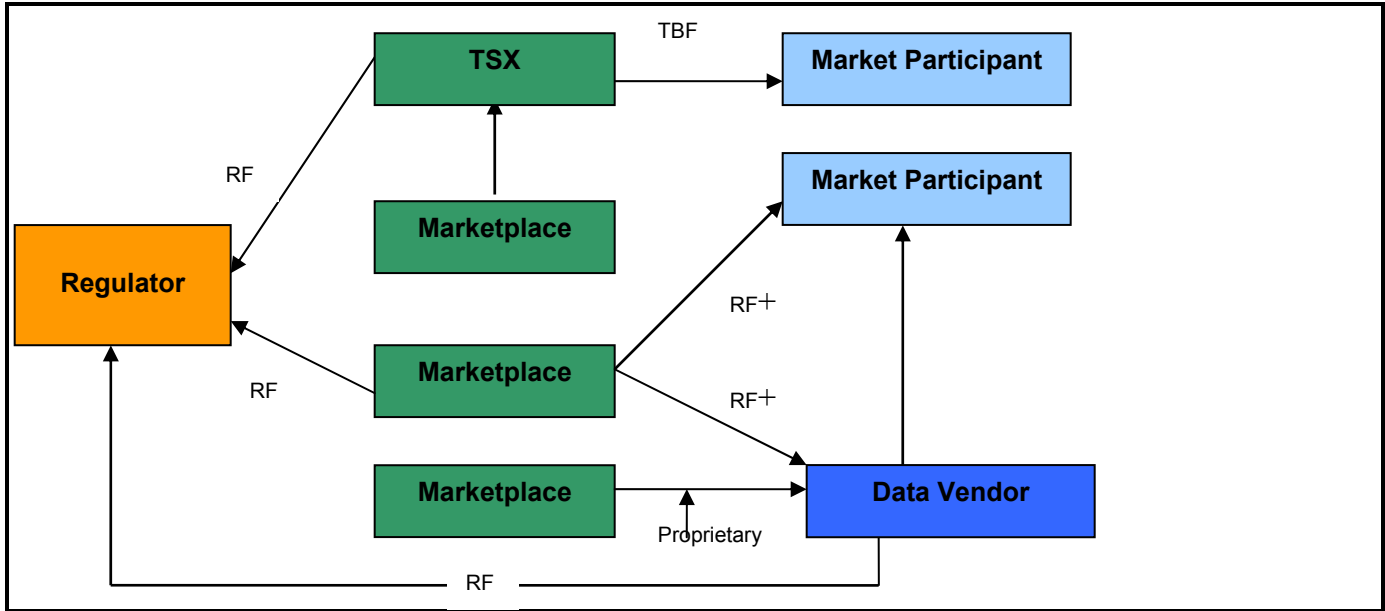
Options for Marketplace Reporting to the Regulator

The TREATS Committee recommends that there be several choices for the marketplace regarding how they deliver data to the regulators as long as the RF standards are met.

1. The marketplace could deliver the specified data to the TSX or another marketplace, who would then be responsible for delivering the marketplace's data to the regulator.
2. The marketplace could deliver the specified data to a data vendor, who would be responsible for delivering the marketplace's data to the regulator.
3. The marketplace could deliver the specified data directly to the regulators.

⁸ The Technical Sub-Committee considered STAMP and FIX to be the most cost effective choices for a single protocol, noting that both have a tag-based approach. However, they noted also that FIX was not considered the best protocol for data broadcasting requiring high traffic performance.

Diagram 2: Proposed Model for Open Consolidation



Options for Marketplace Reporting to Approved Vendors

The TREATS Committee believes that marketplace reporting to data vendors and to market participants should not be regulated nor does it require a common protocol. The marketplace may deliver the feed to a data vendor or in a protocol determined by the data vendor and marketplace as mutually agreeable to both. Since a broker/dealer has an obligation to prove best execution⁹ in all the marketplaces it trades in, best execution is best served through competition in the marketplace with vendors delivering cost-effective solutions that meet the needs of broker/dealers in a time sensitive, high traffic performance manner.

It was agreed that marketplace reporting to data vendors and other market participants must meet minimum standards for data content, timeliness and operability;¹⁰ i.e., a feed provided to a vendor or another participant could not be delivered in a manner which negatively affected the integrity of the data provided. These minimum standards would be set by the regulators and be accompanied by a certification process such as described above¹¹. This would ensure that a level playing field is available to all participants regardless of the way in which they receive their data feed for the purpose of best execution obligations.

Benefits of Proposed Model:

The proposed model for data consolidation meets all of the objectives set out by the TREATS Committee and provides the following benefits:

- Utilizes a common protocol and standard for all regulatory reporting
- Minimizes the investment for RS to develop a standard
- Leverages the investment made by Canadian investment industry
- Minimizes the cost to implement for existing marketplaces

⁹ Previous committees were of the view that it was preferable to have a data consolidator that would consolidate all marketplace feeds and a) provide the regulator with a regulatory feed and b) provide the market with a consolidated public feed of trades and quotes without the regulatory information. This solution was deemed to be prohibitively expensive an open model was proposed.

¹⁰ As outlined in the Companion Policy 21-101CP, Part 9.2 Section (2), “Each regulation services provider will define the process, the business content of the reporting and regulatory data feeds” including the core data elements, the message catalogue and the service level standards.”

¹¹ These service level standards would cover issues such as regulatory business content, outage handling, time synchronization against a neutral clock not managed by a marketplace (atomic clock, satellites, etc), latency of delivery, time stamps for each stage of the order, trade execution for audit trail requirements, etc.

- Supports high traffic, real-time information flow
- Provides an open environment for competitive solutions
- Establishes a level playing field for existing and new entrants to the market

Summary of Conclusions:

- **Common standard feed for regulatory reporting based on current TBF feed protocol thereby leveraging industry investment**
- **Multiple options for marketplaces for meeting reporting requirements**
- **RS to define business content including core data elements, message catalogue and service level standards within six months**
- **RS to define certification process for regulatory reporting by a marketplace to the regulators**
- **Regulators to define business content and service level standards for a marketplace for delivery of market data to approved vendors/participants**
- **Process to be defined for ongoing management and administration of RF protocol and commercial tags**

Next Steps

The TREATS Committee recommends that RS should define the RF requirements within the next six months. Since the framework for the RF has already been defined for the TBF, the work to accomplish this consists of determining the “core” data elements and the message catalogue for the RF. Since the objective for the group is to minimize additional investment for the industry, it is recommended that the current standards for the TBF be adopted with only minimal incremental data elements to be added. Once these specifications are established by RS, they should be reviewed by the committee prior to the preparation of the final report.

The Committee further was cognizant of the issue of whether it was prudent at this time for RS to build the capacity to handle multiple feeds since there are currently no new marketplaces trading a common set of securities. It was recommended therefore that the “blueprint” for the open consolidated market be approved and that RS proceed with the establishment of the data requirements for the RF feed but that no specific investment should be made in building the capacity to merge multiple data feeds until such time as it is necessary.

As new marketplaces wish to enter the regulated markets in Canada, it will be necessary for RS to have a certification process¹² established whereby they establish that each new entrant satisfies all of the regulatory reporting requirements in the delivery method chosen by that marketplace.

The final report on Data Consolidation and Audit Trail requirements will be prepared to present to the CSA by the end of first quarter 2004. A suggested timeline for completion of the TREATS Committee mandate is attached.

¹² *The certification process will also apply to any existing marketplaces which are currently in operation and these marketplaces will have to meet the standards set by the regulators.*

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