

IIROC NOTICE

Rules Notice
Notice of Approval/Implementation
Dealer Member Rules

Please distribute internally to:

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17-0188
September 28, 2017

Amendments to trade-confirmation suppression requirements

Executive Summary

The applicable securities regulatory authorities have approved amendments to Dealer Member Rule (**DMR**) 200.2(l)(x)(B) on trade-confirmation suppression requirements (the **Amendments**).

The Amendments were published for comment on April 20, 2017 in IIROC Rules Notice [17-0088](#) - *Amendments to trade-confirmation suppression requirements (Notice 17-0088)*. All relevant background information, including the objectives of the Amendments, is set out in Notice 17-0088.

Comments Received

We received two [comment letters](#) in response to Notice 17-0088. One comment letter was fully supportive of the Amendments and the second comment letter was supportive of parts of the Amendments and suggested an alternative approach. Our response to the comments received is provided in **Appendix C**.



Appendices

Appendix A - Black-line comparison of the Amendments to the current DMR

Appendix B - Black-line comparison of the proposed plain-language version of the Amendments to the most recently published proposed plain language rule¹

Appendix C - Summary of comments received and IIROC response.

Implementation

The Amendments are effective immediately.

¹ See Notice [17-0054](#), Re-publication of Proposed IIROC Dealer Member Plain Language Rule Book

IIROC Notice 17-0188 – Rules Notice – Notice of Approval/Implementation – Amendments to trade-confirmation suppression requirements

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO TRADE-CONFIRMATION SUPPRESSION REQUIREMENTS
BLACK-LINE COMPARISON OF AMENDMENTS TO THE CURRENT DMR

1. Dealer Member Rule 200.2(l)(x)(B) is amended as shown by the following black-line changes:
 - “(B) In delivery against payment (DAP) and receipt against payment (RAP) trade accounts, provided that:
 - (I) The trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *the Corporation’s* Rules or securities legislation;
 - (II) The *Dealer Member* maintains an electronic audit trail of the trade under *the Corporation’s* Rules or securities legislation;
 - (III) Prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*;
 - (IV) The client is either:
 - (a) another Dealer Member who is reporting or affirming trade details through an acceptable trade matching utility in accordance with section 800.49; or
 - (b) An Institutional Customer who is matching DAP/RAP account trades (either directly or through a custodian) in accordance with National Instrument 24-101 - Institutional Trade Matching and Settlement;
 - (V) The Dealer Member and the client have real-time access to, and can download into their own system from the acceptable trade matching utility’s or the matching service utility’s system, trade details that are similar to the prescribed information under subsection 200.2(l); ~~and~~
 - (VI) ~~The~~ [For the suppression of trade confirmations that relate to section 800.49 trades, the](#) Dealer Member [for the last four quarters:](#)

(a) has not filed ~~a report as required~~ more than two reports under subsection 800.49(6) informing the *Corporation* that it has not met the quarterly compliant trade percentage ~~or has not filed a~~; and

(b) none of the reports it filed under subsection 800.49(6) informing the *Corporation* that it has not met the quarterly compliant trade percentage has a quarterly compliant trade percentage of less than 85%.

(VII) For the suppression of sending trade confirmations that relate to National Instrument 24-101 - Institutional Trade Matching and Settlement trades, the Dealer Member for the last four quarters:

(a) has not filed more than two trade matching exception ~~report as required~~ reports under securities legislation relevant to the trade, ~~for a minimum of three consecutive quarters;~~ and

(b) none of the trade matching exception reports it filed under securities legislation relevant to the trade has a quarterly compliant trade percentage of less than 85%.

A client may terminate their trade confirmation waiver, referred to in sub-clause 200.2(l)(x)(B), by providing a written notice confirming this fact to the Dealer Member. The termination notice takes effect upon the Dealer Member's receipt of the notice."

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO TRADE-CONFIRMATION SUPPRESSION REQUIREMENTS
BLACK-LINE COPY OF PLAIN-LANGUAGE VERSION OF AMENDMENTS

1. A black-line comparison of the proposed plain-language version of the Amendments to the most recently published proposed plain language rules (PLR), where applicable, is as follows:

PLR sub-clause 3816(2)(x)(b)

“(b) In delivery against payment and receipt against payment trade accounts, provided that:

- (I) the trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *IIROC requirements or securities laws*,
- (II) the *Dealer Member* maintains an electronic audit trail of the trade under *IIROC requirements or securities laws*,
- (III) prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*,
- (IV) the client is either:
 - (A) another *Dealer Member* who is reporting or affirming trade details through an acceptable trade matching utility in accordance with sections 4751, 4753, 4754, 4755 and 4756, or
 - (B) an *institutional client* who is matching delivery against payment/ receipt against payment account trades (either directly or through a custodian) in accordance with National Instrument 24-101,
- (V) the *Dealer Member* and the client have real-time access to, and can download into their own system from the acceptable trade matching utility’s or the matching service utility’s system, trade details that are similar to the prescribed information under this section 3816, ~~and~~
- (VI) [for the suppression of trade confirmations that relate to sections 4751, 4753, 4754, 4755 and 4756 trades](#), the *Dealer Member* [for the last four quarters](#):

(A) has not filed ~~a report as required~~ more than two reports under section 4756 informing *IIROC* that it has not met the quarterly compliant trade percentage ~~or has not filed a,~~ and

(B) none of the reports it filed under section 4756 informing *IIROC* that it has not met the quarterly compliant trade percentage has a quarterly compliant trade percentage of less than 85%.

(VII) for the suppression of sending trade confirmations that relate to National Instrument 24-101 trades, the *Dealer Member* for the last four quarters:

(A) has not filed more than two trade matching exception ~~report as required~~ reports under *securities laws* relevant to the trade, ~~for a minimum of three consecutive quarters.~~ and

(B) none of the trade matching exception reports it filed under *securities laws* relevant to the trade has a quarterly compliant trade percentage of less than 85%.

A client may terminate their trade confirmation waiver, referred to in sub-clause 3816(2)(x)(b), by providing a written notice confirming this fact to the *Dealer Member*. The termination notice takes effect upon the *Dealer Member's* receipt of the notice."

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO TRADE-CONFIRMATION SUPPRESSION REQUIREMENTS
SUMMARY OF COMMENTS RECEIVED AND IIROC RESPONSE

Summary of comments received

One commenter was fully supportive of the Amendments.

The other commenter was supportive of the Amendments to make the trade-confirmation suppression requirements more practical and less stringent and in particular, the removal of the “minimum three consecutive compliant quarters” criterion. In addition, this commenter suggested an alternative to the proposed reduction of the minimum quarterly compliant trade percentage threshold to 85% for matched trades. The commenter suggested that a criterion based on the quarterly statistics for delivery against payment (**DAP**)/receipt against payment (**RAP**) trades submitted to the Canadian Depository for Securities (**CDS**), would be a more useful method of determining who qualifies for trade-confirmation suppression (the **Proposed Alternative**).

IIROC response

We thank both commenters for their comments.

The Proposed Alternative is outside the scope of the Amendments, whose purpose is to tweak the trade-confirmation suppression criteria and continue to rely on trades matched compliance rates.

The Proposed Alternative would represent a fundamental shift for the investment industry from the use of “trades matched compliance rates” to “trades entered compliance rates” as a regulatory tool to minimize settlement risk. Consequently, such a fundamental shift would require us to conduct significantly more analysis in order to assess the potential impacts that such a change could have on trade matching and settlement rates, especially when the industry has now moved to a shorter settlement cycle.

We may consider, as a future initiative, the Proposed Alternative but at this time we believe it is beyond the scope of the Amendments.