

# IIROC NOTICE

## **Rules Notice Request for Comments**

Dealer Member Rules

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**14-0004**  
**January 9, 2014**

## **Proposed Requirements for Debt Securities Transaction Reporting**

### **Executive Summary**

On November 27, 2013, the Board of Directors of IIROC approved the re-publication for comment of Proposed Rule 2800C – Transaction Reporting for Debt Securities (the “Proposed Rule”).

The Proposed Rule was previously published for comment with IIROC Rules Notice 13-0058 on February 20, 2013. IIROC staff has considered all of the comments received and thanks all of the commenters. In response to comments received from the public and the Canadian Securities Administrators (the “CSA”), IIROC has made revisions to the Proposed Rule which are summarized below in section 4 of this Notice. A copy of IIROC’s draft response to public comments is attached as “Appendix C”.



The primary focus of the Proposed Rule has not changed. Each IIROC Dealer Member will be required to report, on a post-trade basis, all debt market transactions executed by the Dealer Member, including those executed on an Alternative Trading System (“ATS”) or through an Inter-Dealer Bond Broker (“IDBB”). The Proposed Rule will facilitate the creation of a database of transaction information that will enable IIROC to carry out its responsibilities with respect to the surveillance and oversight of over-the-counter (“OTC”) debt market trading. This proposal does not contemplate making the required data regarding individual transactions available to the public at this time; however, IIROC would continue to publish aggregate debt trading statistics, consistent with its current practice. IIROC recognizes that transparency is an important issue and believes that extensive industry and stakeholder consultation would be necessary to move forward with any initiative regarding public transparency of transaction data. The CSA has partly addressed this issue, and IIROC is prepared to work with CSA staff as appropriate in the context of the CSA’s review of the provisions of National Instrument 21-101- *Marketplace Operation* regarding data transparency.

The following changes have been made to the Proposed Rule:

- Data elements which must be reported for transactions are now set out in the Proposed Rule.
- Data elements relating to Coupon, Internal Transactions and Customer Account Identifier will no longer be required. Reporting of the Customer Account Identifier will be optional, and a new Customer LEI element is being proposed.
- Data elements necessary to identify cancellations and corrections of transactions have been added to ensure the reported transaction data is accurate and complete.
- The required data elements for repos have been clarified in the Rule.
- The deadline to report transactions to IIROC has been extended from T+1 at 2:00am to T+1 at 2:00pm.
- Definitions have been added for purposes of clarity, and definitions made redundant by revisions have been deleted from the Proposed Rule.
- Other drafting changes have been made to streamline and clarify the Proposed Rule.



As the revisions to the Proposed Rule constitute a substantive change to the previously published version, the proposed amendments are being re-published for a further comment period of 60 days.

Comments are requested on the Proposed Rule by **March 10, 2014**.

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## **1. Background Information**

The previously published Notice requesting comments on this proposal summarized the relevant history leading up to the Proposed Rule, outlined standards for debt market regulatory reporting in other jurisdictions, and discussed IIROC’s Debt Market Surveillance Project. Reference should be made to IIROC [Rules Notice 13-0058](#) for this background information.

### *Bank of Canada and MTRS Reporting*

At the present time, the most comprehensive standardized reporting of debt market activity in Canada is the weekly statistical reports provided by Government Securities Distributors (“GSDs”) to the Bank of Canada. This is a requirement for participation in Government of Canada securities auctions. The weekly statistics are submitted through the Market Trade Reporting System (“MTRS”) from which quarterly reports are produced. The Bank of Canada uses this data for various purposes related to its management of government securities auctions, including the calculation of bidding limits for GSDs and for analysis of trends and developments in the debt and money markets.

Over the years, IIROC has had ongoing discussions with the Bank of Canada regarding the efficient functioning of the Canadian debt markets and the importance of the MTRS reporting. The Bank of Canada, IIROC and the dealer community have held discussions on ways to improve the efficiency of MTRS data collection, and the quality, comparability and reliability of the data collected. There have been some concerns regarding potential inconsistencies in the MTRS reporting methodologies among dealers.

IIROC’s system for reporting debt securities transactions will serve as the successor to MTRS. It is currently contemplated that the reporting of transaction data to IIROC will continue to be a condition of participation in Government of Canada securities auctions for GSDs. The Proposed Rule will require that all GSDs begin reporting debt securities transactions to IIROC’s transaction reporting system and IIROC will share this data with the Bank of Canada, obviating the need for dealers to submit weekly aggregate reports covering the same transactions. Reflecting this role as the successor system to MTRS, the system will be referred to as “MTRS 2.0”.



## **2. Regulatory Objectives**

IIROC's priorities in conducting oversight of debt market trading are to strengthen the fairness and integrity of the debt markets, and to ensure compliance and prevent and/or address identified abuses in areas such as:

- best execution and fair pricing;
- front running (use of information to trade ahead of client bond trades or issuances);
- insider trading;
- manipulation of the price of a debt market instrument or class of instruments; and
- suitability of a specific instrument types (particularly with respect to retail customers).

These priorities were the primary considerations in determining the data elements that must be reported under the Proposed Rule.

## **3. Proposed IIROC Debt Market Reporting Requirements**

Dealer Members will be required to report transactions to IIROC on T+1 for all transactions in Debt Securities (as defined in section 1.1 of the Proposed Rule), including those executed on an ATS or through an IDBB.

Dealer Members will be required to report transaction information promptly, accurately and completely, including the data elements as specified in the Proposed Rule. For transactions that involve a Dealer Member and a non-Dealer Member (including a customer), the Dealer Member will be required to submit a trade report to IIROC. For transactions between two Dealer Members, both Dealer Members will be required to submit a trade report.

Dealer Members will have several options on how to deliver trade reports to IIROC, depending on the volume of their activity. Third-party agents may be used for the purpose of submitting transaction information; however, the primary responsibility for timely, accurate and complete reporting will remain the duty of each Dealer Member.

The text of the Proposed Rule is set out in "Appendix A".



### MTRS 2.0 User Guide

In order to facilitate transaction reporting by Dealer Members, IIROC is in the process of developing the MTRS 2.0 User Guide, which will contain technical and explanatory information such as the message specification, the file delivery protocol, the reporting procedures and the certification process. We have and will continue working with Dealer Members on the development of the user guide. We will be providing a draft guide to our Dealer Members for their review and for discussion during our consultation process with their operations and technology personnel, and we plan to publish a final document close to the time the revised Rule is published in final form.

#### **4. Summary of Changes to the Proposed Rule**

In response to CSA and public comments received, and as a result of consultations undertaken by IIROC staff since the previous publication of this proposal, we have made a number of revisions to the Proposed Rule. A black-lined copy of the revisions made since the publication for comment of the Proposed Rule in February, 2013 is attached as “Appendix B”.

Noteworthy changes made since the previous publication of the Proposed Rule are as follows:

##### Data Elements

We have included the data elements which must be reported for transactions in the Proposed Rule.

We have removed the transaction reporting requirement for certain data elements. Specifically, data elements relating to Coupon, Internal Transactions (transactions between two separate business units or profit centres within a reporting Dealer Member where there is no change in beneficial ownership) and Customer Account Identifier will no longer be required. Reporting of the Customer Account Identifier will be optional, and a new Customer LEI element is being proposed.

The data elements for repos have been clarified. These elements are required to allow the Bank of Canada to monitor activity and potential financial stability risks in this core funding market. It is also consistent with the latest recommendations made by the Financial Stability Board and endorsed by G20 Leaders that trade-level data and regular snapshots of outstanding positions for repo markets should be collected by national or regional authorities.

We have also added some data elements, such as elements to identify cancellations and corrections of transactions, to ensure the reported transaction data is accurate and complete.



### Reporting Timeframes

We have extended requirements to report transactions to IIROC from T+1 at 2:00am to T+1 at 2:00pm.

### Definitions

In the interest of clarity, we have added to the Proposed Rule definitions of “Government Securities Distributor”, “Authorized Agent”, “Legal Entity Identifier”, “Global Legal Entity Identifier System”, “Legal Entity Identifier System Regulatory Oversight Committee”, “Repurchase Agreement” (“Repo”) and “File Receipt”. We have also deleted definitions that were redundant as a result of the revisions made to the Proposed Rule.

### Other

In order to streamline the Proposed Rule, we have revised the section regarding Enrollment Requirements and File Receipts, and deleted the section about testing requirements. The exemption for Exchange-listed Debt Securities has also been clarified.

## **5. Rule-making Process**

As part of the rule development process, prior to the publication for comment of the previously Proposed Rule, IIROC staff consulted with a number of Dealer Member representatives, both individually and collectively, that represent the majority of debt market trading activity in Canada. IIROC’s Fixed Income Committee also reviewed and commented on the Proposed Rule. One of the objectives of these consultations was to ensure that the Proposed Rule is reasonable in scope and operationally achievable. In general, most firms were supportive of the objectives of the project and also saw benefits to be derived for the industry.

Since the previous publication of this proposal, IIROC staff has engaged in one-on-one consultations with compliance and business representatives of numerous Dealer Members. These discussions included updates on IIROC’s progress regarding this debt market initiative, addressed the Dealer Members’ specific concerns, and informed some of the revisions IIROC has made to the Proposed Rule.

In light of the revisions made to the Proposed Rule, particularly the inclusion of the data elements in the Proposed Rule and other changes made in the interest of clarity, we have determined that a public Project Plan is no longer necessary. Instead, at this stage of the rule



development process, we have included the relevant information from the Project Plan in this Notice.

### **5.1 Alternatives Considered**

We have had discussions with several third-party service providers to determine if the required data could be collected from a single source, eliminating the need for each dealer to report to IIROC. It has been determined that there is currently no comprehensive and exclusive source which could satisfy our reporting requirements and meet our regulatory objectives.

### **5.2 Proposed Rule Classification**

Statements have been made elsewhere as to the nature and effects of the Proposed Rule. The purposes of the Proposed Rule are to:

- promote just and equitable principles of trade and the duty to act fairly, honestly and in good faith, and
- foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities.

The Board has determined that the Proposed Rule is not contrary to the public interest.

Due to the substantive nature of the Proposed Rule, it has been classified as a Public Comment Rule proposal.

## **6. Effects of Proposed Rule on Market Structure, Dealer Members, Non-Members, Competition and Costs of Compliance**

The Proposed Rule does not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. IIROC has consulted with Dealer Members who have confirmed that existing trade capture systems can be leveraged to create transaction files suitable for transmission to IIROC. Therefore, the Proposed Rule does not impose costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of the regulatory objectives sought to be realized.

The costs associated with the ongoing operation and maintenance of MTRS 2.0, including technology, staff and other direct costs, will be allocated to IIROC Dealer Members on a cost-recovery basis. A cost-recovery fee model will be developed separately, based on extensive





input from a committee we will establish of diverse Dealer representatives. The proposed fee model will be published for comment in late 2014.

Dealer Members will incur their own technology start-up costs as well. We do not anticipate that they will be disproportionate to the benefits associated with the replacement of aggregate reporting to MTRS with the reporting of detailed transactions to MTRS 2.0.

## **7. Technological Implications**

Further to earlier industry consultation regarding the collection and reporting of required trade data under the Debt Market Surveillance Project, IIROC conducted follow-up discussions with Dealer Members to gather additional feedback on the proposed data elements. Dealer Members confirmed that the majority of data elements are available in existing sources but work would be required, in some cases, to merge data elements from disparate systems. To facilitate reporting, Dealer Members may submit multiple files and/or report trades through an Authorized Agent.

## **8. Implementation Plan**

The Proposed Rule will be implemented following approval by the recognizing regulators.

To facilitate the initial implementation of transaction reporting for Debt Securities, Dealer Member responsibilities under the Proposed Rule are to be phased in based on: (i) the Dealer Member's participation in the current MTRS; (ii) the types of Debt Securities traded; and (iii) the type of transaction, as follows:

### **Phase 1**

All Dealer Members that, as of January 1, 2014, are GSDs and participants in MTRS must comply with the Rule. For those Dealer Members, the Rule is effective with respect to all of their transactions in Debt Securities (including all Repo transactions) denominated in Canadian dollars.

### **Phase 2**

(a) Dealer Members that, as of January 1, 2014, are GSDs and participants in MTRS must comply with the Rule with respect to all transactions in Debt Securities (including all Repo transactions). At this phase of implementation, compliance with the Rule includes reporting transactions not denominated in Canadian dollars.



- (b) Dealer Members that, as of January 1, 2014, are not GSDs and participants in MTRS must comply with the Rule with respect to all transactions in Debt Securities, excluding Repo transactions. Compliance with the Rule includes reporting transactions not denominated in Canadian dollars.

The following table summarizes the proposed phases and projected timelines:

<b>Action Item</b>	<b>Timeline</b>
Proposed Rule Comment Period	Q4 2013 – Q1 2014 (60 days)
Reporting System information to be finalized	Q1 2014 – Q2 2014
Anticipated Publication of Final Rule	Q2 2014
Phase 1 Implementation	12 months after final rule published
Phase 2 Implementation	24 months after final rule published

## **9. Request for Public Comment**

Comments are sought on all aspects of the Proposed Rule, and specifically on the following questions:

- (1) We have proposed that the Customer Account Identifier is an optional data element. Provision of client identifiers would assist IIROC in identifying suspicious or manipulative activity such as wash trading, as well as reduce the incidence of “false positive” alerts and the associated burden on Dealer Members’ staff to provide client information in response to a regulatory inquiry. In light of the benefits of receiving this information, should IIROC consider making this a mandatory data element?
- (2) Since the last publication for comment of this proposal, and in consultation with the Bank of Canada, we have determined that a “Customer LEI” should be provided in cases where a Legal Entity Identifier is available. Is it feasible for dealers to provide, as a mandatory data element, this information for those customers that have a LEI? If not, what are the obstacles to providing the data?
- (3) Are the debt securities, transactions and data elements to be reported under the rule appropriate given the objectives of this initiative?



Comments should be made in writing. Two copies of each comment letter should be delivered by March 10, 2014 (60 days from the publication date of this Notice).

One copy should be addressed to the attention of:

Jamie Bulnes  
Director, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, Ontario M5H 3T9  
[jbulnes@iiroc.ca](mailto:jbulnes@iiroc.ca)

A second copy should be addressed to the attention of:

Manager of Market Regulation  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading “IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received”).

Questions may be referred to:

Mike Prior  
Vice President, Market Surveillance  
Investment Industry Regulatory Organization of Canada  
416-646-7217  
[mprior@iiroc.ca](mailto:mprior@iiroc.ca)

## **10. Attachments**

Appendix A – Proposed Rule 2800C – Transaction Reporting for Debt Securities

Appendix B – Black-line reflecting revisions to Proposed Rule

Appendix C – Response to Public Comments



## **Appendix A – Proposed Rule 2800C - Transaction Reporting for Debt Securities**

### **Introduction**

This Rule 2800C requires Dealer Members to report information about each of their transactions (and the transactions of any affiliate that is a Government Securities Distributor) in Debt Securities to the Corporation through a system maintained by the Corporation.

### **Purpose**

The reported transaction data is used in the Corporation’s surveillance of the debt market to identify potential market abuses such as violations of the fair pricing requirements of Dealer Member Rule 3300, insider trading and market manipulation. It also supports the Corporation’s general inspection and enforcement activities, rulemaking, and other regulatory functions. The trade data received pursuant to this rule enables appropriate oversight to ensure the integrity of OTC debt market trading and strengthen standards of investor protection.

### **1. Definitions**

For purposes of Rule 2800C, the terms below have the meanings noted.

- 1.1 “Debt Security” means any security that provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship. The fact that a security was issued in another country or denominated in a foreign currency does not disqualify it from being a Debt Security. The term includes securities with short-term maturities or mandatory tender periods such as commercial paper and floating rate notes as well as traditional notes and bonds. Derivative products that are not securities (e.g., futures contracts, interest-rate swaps) are not Debt Securities.
- 1.2 “Repurchase Agreement” or “Repo” means a transaction that involves the simultaneous sale and future repurchase, or simultaneous purchase and future sale, of any Debt Securities, including transactions arranged as buy sell-backs and sell buy-backs.
- 1.3 “MTRS 2.0” means the Debt Securities transaction reporting system operated by the Corporation. As used in this term, “MTRS” is an abbreviation of “Market Trade Reporting System”.



- 1.4 “Government Securities Distributor” or “GSD” means an entity that has been given notice of its status as such by the Bank of Canada and has access to bid at Government of Canada auctions.
- 1.5 “Legal Entity Identifier” or “LEI” means a unique identification code assigned to a counterparty in accordance with standards set by the Global Legal Entity Identifier System. If the Global Entity Legal Entity Identifier System is unavailable to a reporting counterparty when a reporting obligation under this Rule arises, a substitute legal identifier must be used as identified by the Corporation.
- 1.6 “Global Legal Entity Identifier System” means the system for unique identification of parties to financial transactions developed by the Legal Entity Identifier System Regulatory Oversight Committee.
- 1.7 “Legal Entity Identifier System Regulatory Oversight Committee” means the international working group established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012.
- 1.8 “MTRS 2.0 Enrollment Form” means the form filed by a Dealer Member with the Corporation to supply contact and other information that may be needed by the Corporation in connection with the Dealer Member’s reporting of Debt Securities transactions. An MTRS 2.0 Enrollment Form must also be filed by any party seeking to act as an Authorized Agent for a Dealer Member in reporting transaction data to MTRS 2.0.
- 1.9 “Authorized Agent” means a Dealer Member or other business entity that has successfully registered with the Corporation under Part 3 of this Rule 2800C to submit Debt Securities transaction reports on behalf of Dealer Members.
- 1.10 “Special Condition Indicator” means a code used on a transaction report to indicate that the transaction has certain attributes. Among other uses, the Special Condition Indicator helps to identify transactions that may be priced differently than other transactions in the same issue (e.g., a primary market transaction subject to a fixed price offering agreement). Special Condition Indicators are also used to identify Repo transactions, transactions that involve parties related to the Dealer Member executing the transaction,



and certain other conditions that may apply to a transaction and that are relevant to the regulatory and market surveillance purposes of Rule 2800C.

- 1.11 “Riskless Principal Trade” means a trade in a Debt Security that involves two offsetting orders (buy and sell) that are filled through transactions executed against a Dealer Member’s trading or other proprietary account, with the execution of one of the orders dependent upon the receipt or execution of the other. A riskless principal trade results in two offsetting principal transactions on the Dealer Member’s books, rather than one agency transaction. A Dealer Member typically performs a riskless principal trade to fill a client order with an offsetting transaction in the market or with another client.
- 1.12 “File Receipt” means an electronic acknowledgement that confirms the transaction reporting data file has been successfully transmitted.

## **2. Reporting Requirements**

### **2.1 (a) General Transaction Reporting Requirement**

Every Dealer Member must report each of its transactions in Debt Securities (including Repo transactions) and the transactions in Debt Securities (including Repo transactions) of any affiliate that is a GSD, to the Corporation within the timeframes and in the manner specified in this Rule 2800C, subject to the exceptions stated below in Section 2.1(b).

### **(b) Exceptions**

#### **(i) Debt Securities Without Assigned ISIN or CUSIP Numbers**

A transaction in Debt Securities that has no ISIN or CUSIP number assigned on the Date of Trade Execution is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C; provided, however, that a transaction in a new issue of a Debt Security shall be reported within the timeframe stated in Section 2.5 of this Rule 2800C if an ISIN or CUSIP number is assigned to the Debt Security by 6:00 p.m. Eastern Time on the business day following the date of sale of the new issue.

#### **(ii) Transactions of Exchange-listed Debt Securities**

A transaction in exchange-listed Debt Securities executed on a Marketplace that transmits to IROC trade information required under National Instrument



23-101 – *Trading Rules* is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C.

(iii) Internal Transactions

A transaction between two separate business units or profit centres within the reporting Dealer Member where there is no change in beneficial ownership is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C.

(iv) Repo Transactions by Non-GSDs

A Repo transaction executed by a Dealer Member that is not a GSD is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C.

## 2.2 Reporting Responsibilities of Dealer Members

Reporting responsibilities in the most common situations are as follows:

- (a) In a transaction between a Dealer Member and a client the Dealer Member reports.
- (b) In a transaction between a Dealer Member and an Inter-Dealer Bond Broker, the Dealer Member reports.
- (c) In a transaction between a Dealer Member and an Alternative Trading System (ATS), where the ATS is the counterparty, the Dealer Member and the ATS must report. In a transaction between an ATS (where the ATS is the counterparty) and a client, the ATS reports.
- (d) In a transaction between two Dealer Members, each Dealer Member is responsible to report the transaction from its perspective. This responsibility includes the requirement for a Dealer Member to make a buy-side or sell-side transaction report, as appropriate, when it is a party to a transaction that results in the movement of securities between the accounts of an introducing broker and its clearing/carry broker.

2.3 A Dealer Member may use an Authorized Agent to submit transactions to MTRS 2.0. A Dealer Member utilizing an Authorized Agent for transaction reporting remains responsible for compliance with Rule 2800C and is responsible for the Authorized Agent's actions on its behalf as well as any failure by the Authorized Agent to act as required under the Rule.



## 2.4 Information Required on Transaction Reports

- (a) Each transaction report must contain accurate and complete information about the reported transaction.
- (b) The Dealer Member reporting the transaction must:
  - (i) include in every report the Legal Entity Identifier of each counterparty to the transaction; and
  - (ii) comply with all applicable requirements imposed by the Global Legal Entity Identifier System.
- (c) Each transaction report must contain the following data elements about the transaction:

No.	Data	Description
1.	SECURITY IDENTIFIER	The ISIN number or CUSIP number assigned to the securities in the transaction
2.	SECURITY IDENTIFIER TYPE	The type of identifier that was submitted, ISIN or CUSIP
3.	TRADE IDENTIFIER	Unique identifier assigned to the transaction by the reporting Dealer Member
4.	ORIGINAL TRADE IDENTIFIER	Included on trade cancelations or corrections
5.	TRANSACTION TYPE	Indicates whether the transaction is new, a cancelation, or a correction
6.	EXECUTION DATE	The calendar day the transaction was executed
7.	EXECUTION TIME	The time at which the transaction was executed, either as recorded by an electronic trading system or time of entry into a trade booking system
8.	SETTLEMENT DATE	The date the transaction is reported to settle
9.	TRADER IDENTIFIER	Assigned by reporting Dealer Member to identify the individual/desk responsible for the transaction





No.	Data	Description
10.	REPORTING DEALER IDENTIFIER	The LEI of the reporting Dealer Member
11.	COUNTERPARTY TYPE	Indicates whether the counterparty was a Client, a Dealer Member, a Dealer Member acting as an Alternative Trading System (ATS), an Inter-Dealer Bond Broker (IDBB) or a Bank
12.	COUNTERPARTY IDENTIFIER	The LEI of the counterparty, if Dealer Member, Bank, IDBB, or ATS. Bank trades are defined as trades with Schedule I Banks, Canadian offices of Schedule II Banks and the Bank of Canada
13.	CUSTOMER ACCOUNT TYPE	Indicates whether the client is retail or institutional. This field must be populated if the counterparty type is 'Client'
14.	CUSTOMER LEI	The LEI assigned to the client/customer, where available.
15.	CUSTOMER ACCOUNT IDENTIFIER	Identifier assigned by a reporting Dealer Member to uniquely identify the client/customer where the counterparty is 'Client' and no Customer LEI is available. Optional field
16.	INTRODUCING/ CARRYING DEALER INDICATOR	Indicates whether the reporting Dealer Member acted in the capacity of an introducing or carrying broker
17.	ELECTRONIC EXECUTION INDICATOR	Indicates if the transaction was executed on or facilitated through an electronic trading venue
18.	TRADING VENUE IDENTIFIER	The LEI of the electronic trading venue
19.	SIDE	Indicates whether the reporting Dealer Member was a buyer or seller
20.	QUANTITY	Par value of securities
21.	PRICE	The price at which the transaction was executed, including any mark-ups and/or mark-downs and/or commission.
22.	BENCHMARK SECURITY IDENTIFIER	The ISIN or CUSIP of the Bond used as pricing benchmark (if any)



No.	Data	Description
23.	BENCHMARK SECURITY IDENTIFIER TYPE	The type of identifier that was submitted, ISIN or CUSIP
24.	YIELD	The yield as stated on the client confirmation (if any)
25.	COMMISSION	The commission or mark-up stated on confirmation (if any)
26.	CAPACITY	Indicates whether the Dealer Member acted as Principal or Agent (“Riskless Principal Trades” reported as Principal)
27.	PRIMARY MARKET	Special Condition Indicator to indicate that the transaction is being submitted by an underwriter of a new issue of Debt Securities and that, at the time of the transaction, the securities were subject to a fixed price offering agreement. “Take-down” allocations from a syndicate manager to syndicate members are included in this designation as well as customer allocations by any member of the underwriting group subject to a fixed price offering agreement at the time of trade
28.	RELATED PARTY INDICATOR	Special Condition Indicator to indicate that the transaction is one with an affiliate or with a person or entity that is related to the Dealer Member by being a principal, employee or family member of a principal or employee of the Dealer Member
29.	NON RESIDENT INDICATOR	Special Condition Indicator to indicate that the transaction is one with a non-resident individual/ institutional client
30.	FEE BASED ACCOUNT INDICATOR	Special Condition Indicator to indicate that the transaction is for a retail customer account paying non-transaction-based fees as partial or full remuneration for the Dealer Member’s transaction execution services
31.	REPO INDICATOR	Special Condition Indicator for whether the transaction was made as part of a collateralized loan arrangement such as a Repo



Elements Specific to Repo Transactions:

No.	Data	Description
32.	REPO AGREEMENT IDENTIFIER	Unique identifier assigned to the Repo transaction by the reporting Dealer Member.
33.	REPO TYPE	Indicates whether the transaction was conducted as part of a repo, a reverse repo, a sell/buy-back, or a buy/sellback
34.	REPO TERM	Indicates whether the Repo has fixed term or is an open term Repo
35.	REPO MATURITY DATE	The maturity date if the Repo has a term
36.	CURRENCY OF REPO	The currency denomination of the cash payment used for the initial purchase of the security in a Repo agreement
37.	REPO RATE	The Repo interest rate. If the interest rate is not a term of the contract, then it is the interest rate implied by the difference between the sale (purchase) price and its repurchase (resale) price
38.	REPO HAIRCUT	The Repo haircut. If the haircut is not a term of the contract, then it is the haircut implied by the disparity between the purchase price and the market value of the security at the time of initial purchase
39.	REPO COLLATERAL SECURITY TYPE	Indicates the type of identifier that was submitted, ISIN or CUSIP, or if the Repo is for general collateral, or if the Repo is for multiple securities (but not general collateral)
40.	REPO COLLATERAL SECURITY IDENTIFER	The ISIN or CUSIP number of the security underlying a Repo agreement at the beginning of the agreement if a single security is used as collateral
41.	CLEARING HOUSE	If the Repo was centrally cleared, the LEI identifier of the central clearing house



## 2.5 Reporting Timeframes

### (a) Reporting Deadlines

A Dealer Member must ensure that a transaction report for which the Dealer Member is responsible is received by the Corporation in proper form and with complete and accurate information within the following timeframes:

- (i) For transactions in Debt Securities with ISIN or CUSIP Numbers assigned on the Date of Transaction Execution:
  - (A) if the date of transaction execution is a Business Day and the time of transaction execution is no later than 6:00 p.m. Eastern Time, the report must be made no later than 2:00 p.m. Eastern Time on the Business Day following the date of transaction execution;
  - (B) if the date of transaction execution is a Business Day and the time of transaction execution is after 6:00 p.m. Eastern Time, the report must be made no later than 2:00 p.m. Eastern Time on the second Business Day following the date of transaction execution; and
  - (C) for all other transactions, including those executed on a Saturday, Sunday, or any officially recognized Federal or Provincial statutory holiday on which the system is closed, the report must be made no later than 2:00 p.m. Eastern Time on the second Business Day following the Date of Transaction Execution;

provided, however, that:

- (ii) for transactions in new issue Debt Securities with no ISIN or CUSIP number assigned a transaction report required under Paragraph 2.1(b) of this Rule must be made no later than 6:00 p.m. Eastern Time on the Business Day following the day that the ISIN or CUSIP number is assigned.

### (b) Recordkeeping

Upon a successful submission and receipt by the Corporation of transaction reports, MTRS 2.0 provides the submitter with File Receipts.



File Receipts must be retained by the Dealer Member for seven years and be retrievable within a reasonable period of time. File receipts must be retained in a central, readily accessible place for a period of two years from the date of each file receipt.

### **3. Enrollment Requirements**

#### **(a) Initial Enrollment**

Prior to submitting Debt Securities transaction reports to MTRS 2.0, a Dealer Member (and its Authorized Agent, if an Authorized Agent is used for submitting transaction reports) must enroll in MTRS 2.0 and receive file submission credentials from the Corporation. Enrollment is accomplished by completing the MTRS 2.0 Enrollment Form with all required information, including technical and business contact points.

#### **(b) Requirements for Continued Enrollment**

Once enrolled, Dealer Members remain responsible to keep all information on the MTRS 2.0 Enrollment Form up to date.



## **Appendix B – Black-line Copy Reflecting Revisions to Proposed Rule 2800C - Transaction Reporting for Debt Securities**

### **Introduction**

This Rule 2800C requires Dealer Members to report information about each of their transactions (and ~~their related affiliates'~~the transactions of any affiliate that is a Government Securities Distributor) in Debt Securities to the Corporation through ~~an electronic~~a system maintained by the Corporation.

### **Purpose**

~~Rule 2800C requires Dealer Members to report information about each of their transactions (and their related affiliates' transactions) in Debt Securities to the Corporation through the electronic system operated by the Corporation for this purpose.~~ The reported transaction data is used in the Corporation's surveillance of the debt market to identify potential market abuses such as violations of the fair pricing requirements of Dealer Member Rule 3300, insider trading and market manipulation. It also supports the Corporation's general inspection and enforcement activities, rulemaking, and other regulatory functions. The trade data received pursuant to this rule enables appropriate oversight to ensure the integrity of OTC debt market trading and strengthen standards of investor protection. ~~Reported transaction data may be shared on a confidential basis with other securities market regulators and may be aggregated for statistical reports and other market research that is made public.~~

### **1. Definitions**

For purposes of Rule 2800C, the terms below have the meanings noted.

- 1.1 "Debt ~~Securities~~Security" means any ~~securities~~security that ~~provide~~provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship. The fact that a security was issued in another country or denominated in a foreign currency does not disqualify it from being a Debt Security. The term includes securities with short-term maturities or mandatory tender periods such as commercial paper and floating rate notes as well as traditional notes and bonds. Derivative products that are not securities (e.g., futures contracts, interest-rate swaps) are not Debt Securities.



- 1.2 “Repurchase Agreement” or “Repo” means a transaction that involves the simultaneous sale and future repurchase, or simultaneous purchase and future sale, of any Debt Securities, including transactions arranged as buy sell-backs and sell buy-backs.
- 1.3 “MTRS 2.0” means the Debt Securities transaction reporting system operated by the Corporation. ~~As used in this term, “MTRS” is an abbreviation of “Market Trade Reporting System”. MTRS 2.0 replaces the Bank of Canada’s MTRS.1.3 “Bank of Canada’s MTRS” means the transaction reporting system for Debt Securities currently operated by the Bank of Canada.~~ As used in this term, “MTRS” is an abbreviation of “Market Trade Reporting System”.
- 1.4 ~~“MTRS 2.0 User Manual” means the electronic document containing technical specifications, business rules, reporting procedures and other official instructions on transaction reporting under Rule 2800C. The MTRS 2.0 User Manual is available on the Corporation’s web site and is updated as necessary.~~ Government Securities Distributor” or “GSD” means an entity that has been given notice of its status as such by the Bank of Canada and has access to bid at Government of Canada auctions.
- 1.5 “Legal Entity Identifier” or “LEI” means a unique identification code assigned to a counterparty in accordance with standards set by the Global Legal Entity Identifier System. If the Global Entity Legal Entity Identifier System is unavailable to a reporting counterparty when a reporting obligation under this Rule arises, a substitute legal identifier must be used as identified by the Corporation.
- 1.6 “Global Legal Entity Identifier System” means the system for unique identification of parties to financial transactions developed by the Legal Entity Identifier System Regulatory Oversight Committee.
- 1.7 “Legal Entity Identifier System Regulatory Oversight Committee” means the international working group established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012.
- 1.8 “MTRS 2.0 Enrollment Form” means the electronic form filed by a Dealer Member with the Corporation to supply contact ~~points~~ and other information that may be needed by the Corporation in connection with the Dealer Member’s reporting of Debt Securities transactions. An MTRS 2.0 Enrollment Form must also be filed by any party seeking to



act as an ~~agent~~[Authorized Agent](#) for a Dealer Member in reporting transaction data to MTRS 2.0.

~~1.6~~ ~~“MTRS 2.0 Submitter Identifier~~[1.9 “Authorized Agent”](#) means a ~~code assigned by the Corporation to a Dealer Member or an agent of a Dealer Member that has successfully enrolled in MTRS 2.0 for transaction reporting,~~ [other business entity that has successfully registered with the Corporation under Part 3 of this Rule 2800C to submit Debt Securities transaction reports on behalf of Dealer Members.](#)

~~1.7~~[1.10](#) “Special Condition Indicator” means a code used on a transaction report to indicate that the transaction has certain attributes ~~described as Special Conditions in the MTRS 2.0 User Manual.~~ Among other uses, the Special Condition Indicator helps to identify transactions that may be priced differently than other transactions in the same issue (e.g., a primary market transaction subject to a fixed price offering agreement). Special Condition Indicators are also used to identify ~~sale and repurchase and reverse sale and repurchase~~[Repo](#) transactions, transactions that involve parties related to the Dealer Member executing the transaction, and certain other conditions that may apply to a transaction and that are relevant to the regulatory and market surveillance purposes of Rule 2800C.

~~1.8~~[1.11](#) “Riskless Principal Trade” means a trade in a Debt Security that involves two offsetting orders (buy and sell) that are filled through transactions executed against a Dealer Member’s trading or other proprietary account, with the execution of one of the orders dependent upon the receipt or execution of the other. A riskless principal trade results in two offsetting principal transactions on the Dealer Member’s books, rather than one agency transaction. A Dealer Member typically performs a riskless principal trade to fill a client order with an offsetting transaction in the market or with another client.

[1.12 “File Receipt” means an electronic acknowledgement that confirms the transaction reporting data file has been successfully transmitted.](#)

## **2. Reporting Requirements**

### **2.1 (a) General Transaction Reporting Requirement**

Every Dealer Member must report each of its transactions in Debt Securities [\(including Repo transactions\) and the transactions in Debt Securities \(including Repo transactions\) of any affiliate that is a GSD,](#) to the Corporation within the





timeframes and in the manner specified in this Rule 2800C, ~~as supplemented and explained in the MTRS 2.0 User Manual as may change from time to time,~~ subject to the exceptions stated below: in Section 2.1(b).

(b) ~~Exemptions~~Exceptions

(i) Debt Securities Without Assigned ISIN or CUSIP Numbers

A transaction in ~~a Debt Security~~Securities that has no ISIN or CUSIP number assigned on the Date of Trade Execution is exempt from the transaction reporting requirement in ~~this~~Section 2.1(a) of this Rule 2800C; provided, however, that a transaction in a new issue of a Debt Security shall be reported within the timeframe stated in Section 2.5 of this Rule 2800C if an ISIN or CUSIP number is assigned to the Debt Security by 6:00 p.m. Eastern Time on the ~~Business Day~~business day following the date of sale of the new issue.

(ii) Transactions ~~Executed on an~~of Exchange-listed Debt Securities

A transaction in ~~a Debt Security executed on a domestic securities exchange~~exchange-listed Debt Securities executed on a Marketplace that transmits to IIROC trade information required under National Instrument 23-101 – Trading Rules is exempt from the transaction reporting requirement in ~~this~~Section 2.1(a) of this Rule 2800C.

(iii) Internal Transactions

A transaction between two separate business units or profit centres within the reporting Dealer Member where there is no change in beneficial ownership is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C.

(iv) Repo Transactions by Non-GSDs

A Repo transaction executed by a Dealer Member that is not a GSD is exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C.

2.2 Reporting Responsibilities of Dealer Members ~~in Specific Situations~~

~~The responsibilities of Dealer Members for transaction reporting in specific trading situations are described in detail in the MTRS 2.0 User Manual.~~ Reporting responsibilities in the most common situations are as follows:



(a) In a transaction between a Dealer Member and a client the Dealer Member reports.  
~~(or another dealer that is not~~ In a transaction between a Dealer Member) and an  
Inter-Dealer Bond Broker, the Dealer Member reports.

~~(b)~~ (c) In a transaction between a Dealer Member and an Alternative Trading System (ATS),  
where the ATS is the counterparty, the Dealer Member and the ATS must report. In  
a transaction between an ATS (where the ATS is the counterparty) and a client, the  
ATS reports.

~~(d)~~ In a transaction between two Dealer Members, each Dealer Member is responsible to report the transaction from its perspective ~~(buy-side or sell-side).~~ This responsibility includes the requirement for a Dealer Member to make a buy-side or sell-side transaction report, as appropriate, when it is a party to a transaction that results in the movement of securities between the accounts of an introducing broker and its clearing/carry broker. ~~Similarly, a report is required when a Dealer Member is one of the parties in a transaction between two dealer clients of the same clearing broker.~~

~~(e) A Dealer Member that executes a transaction in the market to fill an order it has received from a source external to the trading desk executing the order must report both a market-side transaction and a client-side transaction, regardless of whether the trade is effected as a Riskless Principal Trade or is executed in an agency capacity.~~

2.3 A Dealer Member may use an ~~agent~~ Authorized Agent to submit transactions to MTRS ~~2.0~~ by ensuring that the conditions stated in the MTRS 2.0 User Manual for use of an agent are met. These conditions include enrollment in MTRS 2.0 by both the Dealer Member and the agent. ~~2.0.~~ A Dealer Member utilizing an ~~agent~~ Authorized Agent for transaction reporting remains responsible for compliance with Rule 2800C and is responsible for the ~~agent~~ Authorized Agent's actions on its behalf as well as any failure by the ~~agent~~ Authorized Agent to act as required under the Rule.

#### 2.4 Information Required on Transaction Reports

(a) Each transaction report must contain accurate and complete information about the reported transaction ~~as specified in the Transaction Record Specifications and other instructions contained in the MTRS 2.0 User Manual. Required information includes, but is not limited to, price and quantity information, identifiers for the securities and parties involved in the transaction, the time and date that the~~



~~transaction was executed, and any Special Condition Identifiers applicable to the transaction.~~

(b) The Dealer Member reporting the transaction must:

(i) include in every report the Legal Entity Identifier of each counterparty to the transaction; and

(ii) comply with all applicable requirements imposed by the Global Legal Entity Identifier System.

(c) Each transaction report must contain the following data elements about the transaction:

<u>No.</u>	<u>Data</u>	<u>Description</u>
<u>1.</u>	<u>SECURITY IDENTIFIER</u>	<u>The ISIN number or CUSIP number assigned to the securities in the transaction</u>
<u>2.</u>	<u>SECURITY IDENTIFIER TYPE</u>	<u>The type of identifier that was submitted, ISIN or CUSIP</u>
<u>3.</u>	<u>TRADE IDENTIFIER</u>	<u>Unique identifier assigned to the transaction by the reporting Dealer Member</u>
<u>4.</u>	<u>ORIGINAL TRADE IDENTIFIER</u>	<u>Included on trade cancellations or corrections</u>
<u>5.</u>	<u>TRANSACTION TYPE</u>	<u>Indicates whether the transaction is new, a cancellation, or a correction</u>
<u>6.</u>	<u>EXECUTION DATE</u>	<u>The calendar day the transaction was executed</u>
<u>7.</u>	<u>EXECUTION TIME</u>	<u>The time at which the transaction was executed, either as recorded by an electronic trading system or time of entry into a trade booking system</u>
<u>8.</u>	<u>SETTLEMENT DATE</u>	<u>The date the transaction is reported to settle</u>
<u>9</u>	<u>TRADER IDENTIFIER</u>	<u>Assigned by reporting Dealer Member to identify the individual/desk responsible for the transaction</u>



<u>No.</u>	<u>Data</u>	<u>Description</u>
<u>10.</u>	<u>REPORTING DEALER IDENTIFIER</u>	<u>The LEI of the reporting Dealer Member</u>
<u>11.</u>	<u>COUNTERPARTY TYPE</u>	<u>Indicates whether the counterparty was a Client, a Dealer Member, a Dealer Member acting as an Alternative Trading System (ATS), an Inter-Dealer Bond Broker (IDBB) or a Bank</u>
<u>12.</u>	<u>COUNTERPARTY IDENTIFIER</u>	<u>The LEI of the counterparty, if Dealer Member, Bank, IDBB, or ATS. Bank trades are defined as trades with Schedule I Banks, Canadian offices of Schedule II Banks and the Bank of Canada</u>
<u>13.</u>	<u>CUSTOMER ACCOUNT TYPE</u>	<u>Indicates whether the client is retail or institutional. This field must be populated if the counterparty type is 'Client'</u>
<u>14.</u>	<u>CUSTOMER LEI</u>	<u>The LEI assigned to the client/customer, where available.</u>
<u>15.</u>	<u>CUSTOMER ACCOUNT IDENTIFIER</u>	<u>Identifier assigned by a reporting Dealer Member to uniquely identify the client/customer where the counterparty is 'Client' and no Customer LEI is available. Optional field</u>
<u>16.</u>	<u>INTRODUCING/ CARRYING DEALER INDICATOR</u>	<u>Indicates whether the reporting Dealer Member acted in the capacity of an introducing or carrying broker</u>
<u>17.</u>	<u>ELECTRONIC EXECUTION INDICATOR</u>	<u>Indicates if the transaction was executed on or facilitated through an electronic trading venue</u>
<u>18.</u>	<u>TRADING VENUE IDENTIFIER</u>	<u>The LEI of the electronic trading venue</u>
<u>19.</u>	<u>SIDE</u>	<u>Indicates whether the reporting Dealer Member was a buyer or seller</u>
<u>20.</u>	<u>QUANTITY</u>	<u>Par value of securities</u>
<u>21.</u>	<u>PRICE</u>	<u>The price at which the transaction was executed, including any mark-ups and/or mark-downs and/or commission.</u>
<u>22.</u>	<u>BENCHMARK SECURITY IDENTIFIER</u>	<u>The ISIN or CUSIP of the Bond used as pricing benchmark (if any)</u>



<u>No.</u>	<u>Data</u>	<u>Description</u>
<u>23.</u>	<u>BENCHMARK SECURITY IDENTIFIER TYPE</u>	<u>The type of identifier that was submitted, ISIN or CUSIP</u>
<u>24.</u>	<u>YIELD</u>	<u>The yield as stated on the client confirmation (if any)</u>
<u>25.</u>	<u>COMMISSION</u>	<u>The commission or mark-up stated on confirmation (if any)</u>
<u>26.</u>	<u>CAPACITY</u>	<u>Indicates whether the Dealer Member acted as Principal or Agent (“Riskless Principal Trades” reported as Principal)</u>
<u>27.</u>	<u>PRIMARY MARKET</u>	<u>Special Condition Indicator to indicate that the transaction is being submitted by an underwriter of a new issue of Debt Securities and that, at the time of the transaction, the securities were subject to a fixed price offering agreement. “Take-down” allocations from a syndicate manager to syndicate members are included in this designation as well as customer allocations by any member of the underwriting group subject to a fixed price offering agreement at the time of trade</u>
<u>28.</u>	<u>RELATED PARTY INDICATOR</u>	<u>Special Condition Indicator to indicate that the transaction is one with an affiliate or with a person or entity that is related to the Dealer Member by being a principal, employee or family member of a principal or employee of the Dealer Member</u>
<u>29.</u>	<u>NON RESIDENT INDICATOR</u>	<u>Special Condition Indicator to indicate that the transaction is one with a non-resident individual/ institutional client</u>
<u>30.</u>	<u>FEE BASED ACCOUNT INDICATOR</u>	<u>Special Condition Indicator to indicate that the transaction is for a retail customer account paying non-transaction-based fees as partial or full remuneration for the Dealer Member’s transaction execution services</u>
<u>31.</u>	<u>REPO INDICATOR</u>	<u>Special Condition Indicator for whether the transaction was made as part of a collateralized loan arrangement such as a Repo</u>



Elements Specific to Repo Transactions:

<u>No.</u>	<u>Data</u>	<u>Description</u>
<u>32.</u>	<u>REPO AGREEMENT IDENTIFIER</u>	<u>Unique identifier assigned to the Repo transaction by the reporting Dealer Member.</u>
<u>33.</u>	<u>REPO TYPE</u>	<u>Indicates whether the transaction was conducted as part of a repo, a reverse repo, a sell/buy-back, or a buy/sellback</u>
<u>34.</u>	<u>REPO TERM</u>	<u>Indicates whether the Repo has fixed term or is an open term Repo</u>
<u>35.</u>	<u>REPO MATURITY DATE</u>	<u>The maturity date if the Repo has a term</u>
<u>36.</u>	<u>CURRENCY OF REPO</u>	<u>The currency denomination of the cash payment used for the initial purchase of the security in a Repo agreement</u>
<u>37.</u>	<u>REPO RATE</u>	<u>The Repo interest rate. If the interest rate is not a term of the contract, then it is the interest rate implied by the difference between the sale (purchase) price and its repurchase (resale) price</u>
<u>38.</u>	<u>REPO HAIRCUT</u>	<u>The Repo haircut. If the haircut is not a term of the contract, then it is the haircut implied by the disparity between the purchase price and the market value of the security at the time of initial purchase</u>
<u>39.</u>	<u>REPO COLLATERAL SECURITY TYPE</u>	<u>Indicates the type of identifier that was submitted, ISIN or CUSIP, or if the Repo is for general collateral, or if the Repo is for multiple securities (but not general collateral)</u>
<u>40.</u>	<u>REPO COLLATERAL SECURITY IDENTIFER</u>	<u>The ISIN or CUSIP number of the security underlying a Repo agreement at the beginning of the agreement if a single security is used as collateral</u>
<u>41.</u>	<u>CLEARING HOUSE</u>	<u>If the Repo was centrally cleared, the LEI identifier of the central clearing house</u>



## 2.5 Reporting Timeframes

### ~~(a) File Receipts~~

~~The MTRS 2.0 User Manual provides detailed specifications on how to transmit electronic files containing transaction records to the Corporation. Upon a successful submission and receipt by the Corporation, MTRS 2.0 provides the submitter with an electronic receipt including a control number, the time and date that the transmission was received, and certain other information for each successful file transmission. A Dealer Member should not consider a file containing transaction records to have been received unless the Corporation generates such a file receipt.~~

~~File receipts must be retained by the Dealer Member for seven years and be retrievable within a reasonable period of time. File receipts must be retained in a central, readily accessible place for a period of two years from the date of each file receipt.~~ (b) Reporting Deadlines

A Dealer Member must ensure that a transaction report for which the Dealer Member is responsible is received by the Corporation in proper form and with complete and accurate information within the following timeframes:

- (i) For transactions in Debt Securities with ISIN or CUSIP Numbers assigned on the Date of Transaction Execution:
  - (A) if the date of transaction execution is a Business Day and the time of transaction execution is no later than 6:00 p.m. Eastern Time, the report must be made no later than 2:00 a.p.m. Eastern Time on the Business Day following the date of transaction execution;
  - (B) if the date of transaction execution is a Business Day and the time of transaction execution is after 6:00 p.m. Eastern Time, the report must be made no later than 2:00 a.p.m. Eastern Time on the second Business Day following the date of transaction execution; and
  - (C) for all other transactions, including those executed on a Saturday, Sunday, or any officially recognized Federal or Provincial statutory holiday on which the system is closed, the report must be made no later than 2:00 a.p.m. Eastern Time on the second Business Day following the Date of Transaction Execution;



provided, however, that:

- (ii) for transactions in new issue ~~debt securities~~Debt Securities with no ISIN or CUSIP number assigned a transaction report required under Paragraph 2.1(b) of this Rule must be made no later than 6:00 p.m. Eastern Time on the Business Day following the day that the ISIN or CUSIP number is assigned.

#### (b) Recordkeeping

Upon a successful submission and receipt by the Corporation of transaction reports, MTRS 2.0 provides the submitter with File Receipts.

File Receipts must be retained by the Dealer Member for seven years and be retrievable within a reasonable period of time. File receipts must be retained in a central, readily accessible place for a period of two years from the date of each file receipt.

### **3. Enrollment Requirements**

#### (a) Initial Enrollment

Prior to submitting Debt Securities transaction reports to MTRS 2.0, a Dealer Member (and its ~~agent~~Authorized Agent, if an ~~agent~~Authorized Agent is used for submitting ~~transactions~~transaction reports) must enroll in MTRS 2.0 and receive ~~an MTRS 2.0 Submitter Identifier from the Corporation. The Corporation will accept transaction reports only from Dealer Members and agents of Dealer Members that are enrolled in MTRS 2.0 and that have an assigned Submitter Identifier.~~ file submission credentials from the Corporation. Enrollment is accomplished by completing the MTRS 2.0 Enrollment Form with all required information, including technical and business contact points.

#### (b) Requirements for Continued Enrollment

Once enrolled, Dealer Members remain responsible to keep all information on the MTRS 2.0 Enrollment Form ~~up- to-date and to follow procedures stated in Rule 2800C and the MTRS 2.0 User Manual. The Corporation may revoke a Dealer Member's enrollment and/or the enrollment of a Dealer Member's agent, thereby removing access to MTRS 2.0, in the case of continued behavior that threatens the accuracy of transaction data collected by the Corporation or the reliable operation of any of the Corporation's electronic systems including MTRS 2.0 (e.g., continued~~





~~submission of files with erroneous data; incorrectly formatted files or records; or files containing computer viruses) [date](#).~~

#### ~~4. Testing Requirements~~

~~Prior to submitting Debt Securities transaction reports to MTRS 2.0, a Dealer Member or prospective agent for a Dealer Member must successfully test its capability to submit transaction files and records. Procedures for testing are included in the MTRS 2.0 User Manual as may change from time to time.~~



## **Appendix C – IIROC response to comments on the proposed rule change to expand oversight of trading in debt securities**

This summary responds to the eight comment letters received on proposed Dealer Member Rule 2800C - *Transaction Reporting for Debt Securities* (“Rule 2800C”) that was published for comment on February 20, 2013. We have considered the comments received and we thank all the commenters for their submissions. The comments regarding proposed Rule 2800C and the Project Plan have been summarized to correspond with the major components of the proposed amendments, followed by IIROC staff’s response to the comments.

### **Creation of a system for timely surveillance and enhanced oversight of Canadian debt market activity**

We have received the following comments regarding the merits of the initiative:

- Seven comment letters indicated their support for the proposed transaction reporting initiative. [CanDeal, IIAC, Scotia Capital, Desjardins Securities, TD Securities, Canadian Advocacy Council for Canadian CFA Institute Societies, Canadian Bond Investors’ Association]
- One comment letter indicated the proposed rule highlights that Canada is significantly behind other global capital markets in the monitoring and surveillance of trading in debt securities. [Canadian Bond Investors’ Association]

### ***IIROC staff response***

We appreciate the support and thank all stakeholders for their feedback through not only the comment process, but also during the extensive and ongoing consultation in one-on-one and group meetings with IIROC staff. We believe such consultation augurs well for the development of a Dealer Member trade reporting system that allows for cost-effective oversight of debt market activity while maintaining appropriate standards of investor protection.

### **Regulatory Objectives**

We have received the following comments regarding the regulatory objectives:

- Two comment letters indicated that some clarification regarding the regulatory objective of suitability is necessary. [IIAC, Scotia Capital]
- One comment letter stated that the concept of best execution in OTC transactions is less clear than in the equity world. [IIAC]
- One comment letter noted that there are some challenges with reviewing for insider trading activities in debt instruments compared to insider trading in equities, and that enhancing reviews for this type of activity may be an area of development that would require some infrastructure changes. [Scotia Capital]
- One comment letter inquired whether or not fair pricing inquiries triggered by surveillance alerts will take into consideration the circumstances of the transaction or related transactions. [TD Securities]



### ***IIROC staff response***

IIROC's mandate is to "set and enforce high quality regulatory and investment industry standards, protect investors and strengthen market integrity while maintaining efficient and competitive capital markets". Proposed Dealer Member Rule 2800C will better enable IIROC to fulfill its regulatory mandate.

In order to strengthen the fairness and integrity of our debt market and protect the interests of retail customers, we will monitor the trading of certain products and instrument types to ascertain their 'suitability' for retail customers. For example, suitability may come into question where complex instruments are sold to retail investors. In such cases, IIROC would take the necessary steps to examine further the suitability of such products for retail clients in general. We plan to monitor certain specific instrument types, such as complex instruments that start off trading in the institutional space and end up migrating into the portfolios of retail investors. This information will assist other departments within IIROC in performing detailed testing in higher risk areas.

We also believe that proposed Rule 2800C will provide us with the necessary tools to analyse the concept of best execution in an OTC context. We agree with IIAC's comment that best execution is more closely associated with the equity world; however, that does not diminish the obligation of Dealer Members regarding best execution for debt trades. National Instrument 23-101 states that "it is the dealer's obligation to make reasonable efforts to achieve best execution when acting for a client." We acknowledge and agree that the concept must be applied differently than in the equities context taking into consideration the relevant differences between equity and debt trading.

In regards to insider trading, while there may be some challenges with reviewing for insider trading activities in debt instruments, IIROC Dealer Members should already be attentive to the possibility of insider trading in debt securities and should be taking steps to identify potential abuse

With respect to fair pricing inquiries, should IIROC encounter any unusual behaviour which may be indicative of unfairly priced instruments, as a standard practice IIROC staff would seek any additional information of relevance from the Dealer Member as a first step.



## **Reporting Deadline**

We have received the following comments regarding the timing requirement of the proposed transaction reporting rule:

- One commenter indicated that the transaction reporting should be consistent with NI 24-101 which is T+1 at noon instead of at 2 am. [IIAC]
- Two comment letters indicated that the transaction reporting should be T+3 instead of T+1 in order to account for corrections or cancelations that occur prior to settlement. [TD Securities and Scotia Capital]
- One commenter indicated that the transaction reporting requirement should be later than T+1 in order to ensure the accuracy of the transaction reports but did not suggest an alternative timeframe. [Desjardins Securities Inc.]
- One commenter indicated that the transaction reporting should be implemented with a 15 minute delay instead of T+1. [Canadian Advocacy Council for Canadian CFA Institute Societies]

## **IIROC staff response**

The purpose of the proposed rule is to strengthen our market supervision of debt trading in Canada. Due to the nature of debt trading in Canada, we do not require real-time reporting; however, in order to enforce our fair pricing rule and to identify potential market manipulations, timely and accurate trade reporting will be required. We do believe that it is necessary to harmonize our reporting timeline with the current reporting timelines under National Instrument 24-101 - *Institutional Trade Matching and Settlement* (“NI 24-101”), and we will be extending the reporting time frame from T+1 at 2am to T+1 at 2pm. As Dealer Members already have to meet a reporting deadline of T+1 at noon under NI 24-101, by extending our timeline to after the NI 24-101 deadline, we believe most of the cancelations and corrections will have been addressed, leading to a cleaner set of data.

## **Implementation and Phasing**

We have received the following comments regarding the implementation of the proposed amendments:

- Several comment letters indicated that the proposed timeline is too aggressive and that extensive development will be required. [Desjardins, IIAC, Scotia Capital]
- Several comment letters indicated that the proposed timeline was not aggressive enough and that the rule should be implemented as soon as possible. [Canadian Bond Investors’ Association, Canadian Advocacy Council for Canadian CFA Institute Societies ]

## **IIROC staff response**

IIROC has consulted extensively with stakeholders and we have carefully considered the feedback received. Based on this feedback, we believe the time frames we have outlined in our revised proposal are reasonable given the development requirements involved, the phased implementation plan and the importance of this regulatory initiative.



## **User Manual**

We have received the following comments regarding the development of the MTRS 2.0 User Guide:

- One comment letter requested details as to when a user manual will be made available to Dealer Members. [IIAC]
- One comment letter indicated that the Dealer Member would like to have a clearer understanding of how the transition of MTRS to MTRS 2.0 will happen and emphasized the need for a new manual. [Scotia Capital]
- One comment letter suggested that changes to the user manual should be subject to a consultation process. [IIAC]

## ***IIROC staff response***

We have decided to include the individual data elements and their descriptions in the rule. In addition, we have and will continue to work with our Dealer Members in the development of the User Guide. The User Guide will contain technical and explanatory information such as the message specification, the file delivery protocol, the reporting procedures and the certification process. We will be providing a draft User Guide to our Dealer Members for their review and for discussion during our consultation process with their operations and technology personnel, and we plan to publish a final document close to the time the revised Rule is published in final form.

With respect to the transition from MTRS to MTRS 2.0, it is anticipated that the current MTRS system will run in parallel with MTRS 2.0 for a period of time to ensure data integrity, after which the Bank of Canada and IIROC will sign-off on MTRS 2.0 and de-commission MTRS.

## **Data elements**

We have received the following comments regarding the proposed data elements:

- Two comment letters stated that benchmark bonds should not be included in the reporting requirements because they often vary from dealer to dealer. [Desjardins, IIAC]
- One comment letter inquired whether an insider marker would be necessary. [Desjardins]
- One comment letter indicated that more data elements, relating to rating, description and features of the security transacted, should be required to be reported by the dealers. [Canadian Advocacy Council for Canadian CFA Institute Societies]
- Two comment letters indicated that clarification is necessary for a number of data elements such as trading venue, customer account identifier, counterparty identifier, capacity and repo collateral security identifier. [Scotia Capital, IIAC]
- One comment letter expressed concern with the Capacity data element and suggested that it is a new concept for the OTC markets. [Scotia Capital]
- Two comment letters indicated that repo haircuts are difficult to provide and that the dealer struggles to understand the relevance of such data. [TD Securities, IIAC]



### ***IIROC staff response***

In the revised rule published for comment, we have included the individual data elements and their associated descriptions. Since the last Rule was published, IIROC has sought feedback from the Dealer community on the proposed data elements. Although we do recognize that some data elements will require technology development to assemble and transmit, we have only included the data elements that are necessary to fulfill our regulatory mandate and meet the needs of the Bank of Canada to replace MTRS. We plan to supplement these elements with reference data obtained by a service provider, in order to reduce the burden on our Dealer Members.

With respect to the specific comments on the data elements, IIROC is aware that benchmark bonds will vary from dealer to dealer and we are looking at this field to ascertain comparable characteristics (liquidity, issue size) to the bond traded. We do not anticipate the need for an insider marker. In the future if there is business justification, it will be considered in a later phase and Dealer Members will be given appropriate advance notice.

Regarding the specific comment that referenced the data element of Capacity, we refer the commenter to the existing IIROC Dealer Member Rule 200.1(h) which requires Dealer Members to indicate when they acted as principal on a trade confirmation. Although this data element may not be captured by debt security trading systems, it is already being captured by firms for other purposes given that it must be disclosed on all trade confirmations.

With regard to the requested data on repo haircuts, this is intended to allow for more complete monitoring by the Bank of Canada, along with other data and anecdotal information, of easing or tightening of funding terms for a specific asset class over time, and of the degree of leverage in the repo market. Changes in repo haircuts in certain market segments in other jurisdictions proved to have a destabilizing procyclical influence, yet data on haircuts are currently not readily available in most countries, including Canada.

### **Foreign Denominated Securities**

We have received the following comments regarding the inclusion of foreign denominated securities under the proposed rule:

- Two comment letters requested clarification regarding the inclusion of foreign securities in the definition of debt securities. [Scotia Capital, IIAC]

### ***IIROC staff response***

As we have previously indicated above, Dealer Members and any affiliates that are Government Securities Distributors (“GSD”) will be required to report all of their transactions in Debt Securities (as defined in section 1.1 of the proposed Rule). One of the primary objectives of this rule is to ensure IIROC receives the necessary transaction data from Dealers Members that it requires in order to monitor trade activity and ensure compliance with the Fair Pricing Rule. Our Fair Pricing Rule applies to all debt securities transacted by our Dealer Members, regardless of the denomination.



## **Affiliate Transactions**

We have received the following comments regarding the reporting of transactions executed by a related affiliate:

- Two comment letters stated that it was unclear what IIROC would consider a related affiliate for the purpose of this transaction reporting rule. [Scotia Capital and IIAC]

### ***IIROC staff response***

For purposes of transaction reporting, we have revised the proposed rule to clarify that the reporting requirement will apply to transactions in debt securities by Dealer Members and any affiliates that are GSDs. The revised rule no longer references the term “related affiliate”.

Any transaction between an affiliate and its end clients, where the Dealer Member is not the counterparty, will not be required to be reported unless the affiliate is also a GSD.

## **Internal Transactions**

We have received the following comments regarding internal transactions:

- One comment letter questioned the meaning of the words “internal transfers” in the table on page 10 of IIROC Rules Notice 13-0058 under the column labelled ‘Canada’ and the row labelled ‘Coverage’. [Scotia Capital]
- The same comment letter stated that transactions between business units (where there is no change of beneficial ownership) are not considered secondary trading when executed through listed exchanges and should not be included as reportable trading volumes. [Scotia Capital]

### ***IIROC staff response***

We would like to clarify that there was an error in the table on page 10 of the Rules Notice and we apologize for any confusion it may have caused. We incorrectly used the term “transfer” instead of “transaction” in the text which appears under the column labelled “Canada” and the row labelled “Coverage”. The words should have read “internal transactions”.

In response to feedback received in comment letters and during one-on-one consultations with our Dealer Members, we have decided to omit internal transactions (where there is no change in beneficial ownership) from the debt trade reporting requirement.

## **Transaction Reporting Agents (CDS, etc.)**

We have received the following comments regarding the use of transaction reporting agents:

- One comment letter states that a single source solution for debt market transaction reporting could be delivered. [TMX Group Limited]
- One comment letter suggested that IIROC could receive institutional transaction data from CDS and retail transaction data from the dealer (or affiliate) directly. [TD Securities]
- One comment letter suggested that IIROC could obtain some of the required transaction data from other sources such as the Canadian Unlisted Board “CUB”. [Scotia Capital]



### ***IIROC staff response***

IIROC has investigated using a single source for debt transaction reporting; however, it was determined that there is not currently one source that could satisfy all of our requirements.

Our rules do not preclude Dealer Members from using third-party agents to facilitate Dealer Members' compliance with their reporting obligations. Ultimately, it is each Dealer Member's responsibility to ensure that their data is delivered on a timely basis and is accurate and complete, regardless of the delivery mechanism.

### **Dissemination of Data (Ownership) – Transparency**

We have received the following comments regarding the possible dissemination of transaction data:

- Three comment letters indicated that the data submitted belongs to the dealers and proposed that some accumulated data should be redistributed back to the dealers in order to assist in their supervision of their own trading. [IIAC, Scotia Capital and Desjardins]
- Several comments letter indicated that the data submitted belongs to the dealers and that any future commercialization or broadening of use of the data would have to be decided upon by the dealers and in the case of public transparency should undergo extensive study and consultation prior to any broadening. [Desjardins, TD Securities, Scotia Capital and IIAC]
- One comment letter cautioned IIROC on the adoption of a TRACE like model in an illiquid Canadian debt market, expressing concern that it would result in significant and profoundly negative long term effects. [TD Securities]
- Several comment letters indicated that some type of a confidentiality agreement or request for consent (from Dealer Members) prior to distribution agreement might be necessary. [TD Securities, Scotia Capital]
- Two comment letters stated that the proposed rule does not go far enough in regards to public transparency. [Canadian Bond Investors' Association, Canadian Advocacy Council for Canadian CFA Institute Societies]

### ***IIROC staff response***

Reporting of data by Dealer Members to IIROC will be a regulatory obligation under proposed Rule 2800C. All data collected by IIROC will be used for regulatory purposes in order to conduct surveillance and oversee debt market trading.

This rule initiative does not contemplate making data, regarding individual transactions, available to the public at this time; however, IIROC would continue to publish aggregate debt trading statistics consistent with current reporting.

Although IIROC recognizes and understands the desire of dealers to receive information back from IIROC to assist them in their ongoing effort to comply with our Rules, we believe that this initiative could be considered in a later phase, as it would require significant industry consultation and consensus to ensure issues, such as transparency and use of the trade data, are properly addressed.





## **Project Funding**

We have received the following comments regarding the funding of this new regulatory initiative:

- Two comment letters indicated that the costs for funding this project should come from IIROC's discretionary fund [Desjardins, IIAC]
- One comment letter inquired as to whether or not Dealer Members will have to bear the costs associated with this project. [TD Securities]

### ***IIROC staff response***

The IIROC Board has approved financing the development of the trade repository with funds from the Restricted Fund; however, operating expenses do not qualify for the same type of funding. IIROC will be working with the industry to determine the appropriate fee model to fund the operating expenses associated with this project.

## **Data Security**

We have received the following comments regarding safeguards for both storage and transmission of data:

- Two comment letters stated that the proposal was unclear in regards to the safeguards that would be put in place to ensure that the data is secure during transmission, storage and if shared with other regulators or interested parties. [TD Securities, IIAC]

### ***IIROC staff response***

We will be applying the appropriate safeguards to ensure that the transaction data is transmitted, received and stored securely in accordance with IIROC's Information Security Policies. We will, in cooperation with the industry, examine the benefits and determine the optimal alternatives for file delivery. Some of the alternatives include: the use of a dedicated circuit, Virtual Private Network (VPN), HTTPS (Web Portal) and trade file drop-copy through Secure File Transfer Protocol (SFTP).

Our data is stored in a third-party data centre, which is staffed 24 hours a day, seven days a week with professional security officers. Secure, bullet-resistant entrances are equipped with biometric access controls to restrict access to the data centre to only authorized staff and customer representatives. Each site is covered by extensive video surveillance, ensuring that the movement of equipment and personnel into and out of the data centre is monitored at all times and strictly controlled. Video surveillance is archived for future reference.

Access to systems and data will be governed by IIROC data security and user access policies. We will also ensure that all data transmission, whether to internal or external parties, is done so securely. The Bank of Canada, federal and provincial Finance departments/ministries, and any other regulators, where appropriate, may have access to the data and IIROC will endeavour to ensure that those organizations have appropriate security provisions in place.



## **Transactions Executed by Foreign Dealers**

We have received the following comments regarding transactions executed by foreign dealers:

- One comment letter suggested that Canadian securities traded by dealers and intermediaries outside of Canada would not be captured because they are outside of IIROC's jurisdiction. The commenter recognizes that this issue may be beyond the scope of IIROC's responsibilities. [Canadian Bond Investors' Association]
- One comment letter suggested that smaller dealers could outsource trade execution to foreign dealers in order to avoid the obligation of providing their transaction data and elude the application of IIROC Dealer Member Rule 3300 (Fair Pricing of OTC Securities). [TD Securities]

### ***IIROC staff response***

As noted by the commenter, trading activity in Canadian securities by dealers and intermediaries outside of Canada is not within the scope of IIROC's oversight jurisdiction.

We would like to remind our Dealer Members that the transaction reporting rule and fair pricing rule place the obligation of reporting and fair and reasonable pricing upon them directly and that they will need to ensure that both of those obligations are met regardless of the execution method.

## **Reporting Requirements - Exceptions**

We have received the following comments regarding transactions executed on an exchange:

- Two comment letters requested clarification in regards to what constitutes a domestic securities exchange for the purpose of this rule. [Scotia Capital, IIAC]

### ***IIROC staff response***

We have revised the wording in the proposed Rule to clarify the reporting exemption for transactions in Exchange-listed Debt Securities. The revised wording now stipulates that: "Transactions in Exchange-listed Debt Securities executed on a Marketplace that transmits to IIROC trade information required under National Instruments 23-101 – *Trading Rules* are exempt from the transaction reporting requirement in Section 2.1(a) of this Rule 2800C." As a result, defining what constitutes a "domestic securities exchange" is unnecessary, as the phrase is no longer included in the proposed provision.

## **Coordinated Regulation**

We have received the following comment regarding the coordination of requirements amongst regulators:

- One comment letter recommended that IIROC work with other regulators with jurisdiction over debt market trading to ensure that there is effective and efficient regulation. [IIAC]



### ***IIROC staff response***

The Canadian Securities Administrators are fully aware of IIROC rule initiatives as a result of the CSA approval process for all IIROC rule proposals. As part of our policy development process, IIROC staff strives to ensure that its proposals are congruent with the existing regulatory framework and will raise any issues it is aware of with other regulators.

### **Other Issues**

We have received the following miscellaneous comments:

- One comment letter questioned whether IIROC will have the authority to cancel any transactions deemed erroneous. [Desjardins]
- One comment letter suggested that all compensation should be reported. [Canadian Advocacy Council for Canadian CFA Institute Societies ]
- One comment letter indicated that Dealer Members should not have to bear the cost for storing potentially large volumes of transaction reports for seven years as IIROC's system would already be housing that transaction data. [Canadian Advocacy Council for Canadian CFA Institute Societies]

### ***IIROC staff response***

As debt trading in Canada is primarily executed on a bilateral basis, IIROC will rely on Dealer Members to resolve any erroneous transactions bilaterally, and to report corrections / cancellations to IIROC as required by the Proposed Rule.

We will remain within the perimeters set out in our existing rules, dealing with record keeping and compensation disclosure, and limit our oversight to those activities which fall within our jurisdiction, regarding oversight.

We do not foresee a significant incremental cost for Dealer Members for storage of debt transaction reports as they are already required to retain records of transactions under existing rules.