

# CSA Staff Notice 11-318

## *Guidance for Cease Trade Order Database Users*

August 23, 2012

### **Introduction and Purpose**

Staff of the Canadian Securities Administrators (CSA Staff or we) are publishing this Staff Notice (the Notice) to highlight recent and upcoming changes to the Cease Trade Order Database (CTO Database). It provides guidance to CTO Database users and, in particular, to members of the investment industry in Canada.

### **Background**

A cease trade order (CTO or Order) is a decision issued by a provincial or territorial securities regulatory authority or similar regulatory body against a company or an individual. Orders are issued for different reasons such as failing to meet disclosure requirements or as a result of an enforcement action that involves an investigation of potential wrongdoing. The purpose of the CTO Database is twofold: provide stakeholders with a publicly searchable database containing all Orders issued by participating CSA members, regardless of whether their effect is temporary or indefinite, and disseminate such Orders to its subscribers.

The CTO Database classifies Orders as either “Active” or “Inactive”:

- Active Orders are decisions that are in effect. An Active Order’s status may be either issued or amended.
- An Inactive Order’s status may be either expired or revoked. An expired CTO has reached its end date as specified in the Order. A revoked CTO has been revoked by the provincial or territorial securities regulatory authority which originally issued it.

The CTO Database includes both Active CTOs and CTOs that have become inactive following either their expiry or revocation. CTOs issued against companies that have since dissolved or been discontinued remain active until expressly revoked or until they have expired. This content allows for a comprehensive database with an ability to provide historical data.

### **Substance of Implemented Changes**

#### ***1. Stock Symbols***

Removal of stock symbols from the CTO Database: When an issuer is de-listed, stock symbols can be reused and reassigned to a new issuer. An issuer that is not subject to a CTO could be re-assigned the stock symbol of a cease-traded issuer that has been de-listed. These situations can create confusion among members of the investment industry when determining whether a trade can be executed, based solely on a stock symbol. Consequently, CSA staff has agreed that it would be preferable to have all stock symbols removed from the CTO Database.

## **2. Security Identifiers**

Use of CUSIP numbers: The CTO Database uses the CUSIP number as a security identifier. These numbers are assigned by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ, to securities trading in Canada and the United States. Other securities identifiers, such as SEDOL (which identifies securities trading in the United Kingdom) and ISIN (international security identifier which is formed by adding CA in front of the CUSIP number), are not available through the CTO Database.

The CUSIP number is nine characters long. The first six characters identify the issuer, the seventh and eighth characters identify the type of security and the last digit is used as a check digit. Historically, the CTO Database did not require a certain number of characters when entering the CUSIP number, which resulted in CUSIP numbers being entered inconsistently into the database. As a result, going forward, the CTO Database has been modified to require, and only provide, the first six digits of the CUSIP number when a CUSIP number is entered. Since Orders that ban trading in securities of an issuer generally apply to all the securities of the issuer, including additional CUSIP characters to identify the type of security was not deemed necessary.

The CUSIP numbers are automatically retrieved from a list provided by S&P Capital IQ. However, in some instances, when the company name is uploaded to the CTO Database it does not exactly match the company name on the S&P Capital IQ list. In these instances, no CUSIP number will be available through the CTO Database. Also, no CUSIP number will be assigned to Orders that ban trading by certain individuals and/or companies. It remains the obligation of users to conduct the necessary due diligence to determine whether or not a specific trade can be executed. As such, we emphasize the importance of reading all decisions to fully understand their scope.

## **3. Date Format**

Standardized Date Format: We have standardized the date format in the CTO Database for the Issued Date, the Expiry Date as well as for search results downloaded into an Excel spreadsheet. All of these dates are now under the same format: YYYY/MM/DD.

## **4. Company Names**

Consistency in Company Names: We have implemented a mechanism to reduce as much as possible certain inconsistencies with respect to the format of company names. In spite of this modification to the CTO Database, sometimes these inconsistencies originate from the Orders themselves and under certain circumstances may continue to be unavoidable. Company names are entered in the database exactly as they appear on the Orders. If a company that is subject to a CTO changes its name, the CTO Database will not be changed unless there is an Order amending the original CTO.

## 5. *French Spelling*

French Spelling: The CTO Database includes CTOs against companies with French names. In the past, when users downloaded search results for Orders against companies with French names, the results were often displayed incorrectly due to the use of accents (e.g. “Systèmes Mécaniques Inc.” appeared in the search results spreadsheet as “SystÃˆmes MÃ©caniques Inc.”). This problem has been corrected and downloaded search results should now display correctly.

## 6. *Intra-day CTOs*

Issuance of Intra-day CTOs: Under normal circumstances, dissemination of Orders through the CTO Database is automated. All Orders uploaded late at night or early in the morning are disseminated before the markets open and Orders uploaded during market hours are disseminated in the evening, once the markets close. However, some exceptional situations require Canadian securities regulatory authorities to issue cease trade Orders during market hours. The decision to disseminate an Order through the CTO Database during market hours rests entirely with the securities regulatory authority that issues the Order.

Upon receipt of a request from a securities regulatory authority to disseminate a CTO against a Canadian listed issuer during market hours, CSA staff will inform IIROC Market Surveillance staff before disseminating that Order to facilitate timely implementation and communication of a regulatory action.

## 7. *Notifications*

Notifications of Expiration of Orders: We have changed the date and time of these notifications. The database will now send emails notifying subscribers of the expiration of Orders between 11:45 p.m. ET and 11:58 p.m. ET on the same date the Order expires. Therefore, if an Order expires on May 25, 2012, it is uploaded into the CTO database with a May 25, 2012 expiration date and the database will send the notification on May 25, 2012 between 11:45 p.m. ET and 11:58 p.m. ET.

Members of the investment industry will need to review their internal protocols to determine whether this change has an impact on their systems. This change has no legal impact on the scope of decisions.

## **Substance of Upcoming Changes**

### 1. *Categories of Orders*

Two Categories of Orders: Later this fall, CTOs will be classified into two new distinct groups:

- (i) Orders that ban trading in securities *of* a reporting issuer or a non-reporting issuer, regardless of whether the Order resulted from a continuous disclosure default or an enforcement action, and;

- (ii) Orders that ban trading *by* certain individuals and/or companies, regardless of whether the Order resulted from a continuous disclosure default of the issuer (such as a management cease trader order) or an enforcement action.

Some Orders may fall under both categories, in which circumstance, they will appear in both categories and two distinct notifications, one for each category, will be sent out to subscribers.

Orders classified under the first category ban trading in the securities of an issuer and those under the second category prevent certain individuals and/or companies from trading either in securities of a specific issuer or from trading in all securities.

This new categorization is intended as a tool to simplify the classification of Orders and enhance search results. However, it remains the obligation of users to conduct the necessary due diligence before trading to determine whether or not a specific trade can be executed. As such, we cannot overstate the importance of reading all decisions to fully understand their scope.

## Questions

Please refer your questions to any of the following people:

Laura Belloni  
 Policy Manager  
 CSA Secretariat  
 Direct Line 514-864-9511  
 Direct Fax: 514-864-9512  
 Email: [laura.belloni@acvm-csa.ca](mailto:laura.belloni@acvm-csa.ca)

Julie Mainville  
 Administrative Technician  
 CSA Secretariat  
 Direct Line: 514-864-0822  
 Direct Fax: 514-864-9512  
 Email: [julie.mainville@acvm-csa.ca](mailto:julie.mainville@acvm-csa.ca)

Jonathan Taylor  
 Manager, CD Compliance & Market  
 Analysis  
 Alberta Securities Commission  
 Direct Line: 403-297-4770  
 Direct Fax: 403-297-2082  
 Email: [jonathan.taylor@asc.ca](mailto:jonathan.taylor@asc.ca)

April Penn  
 Assistance Manager, Financial Reporting,  
 Corporate Finance  
 British Columbia Securities Commission  
 Direct Line: 604-899-6805  
 Toll free across Canada: 1-800-373-6393  
 Email: [APenn@bcsc.bc.ca](mailto:APenn@bcsc.bc.ca)

Wayne Bridgeman  
 Senior Analyst – Corporate Finance  
 The Manitoba Securities Commission  
 Direct Line: 204-945-4905  
 Fax: 204-945-0330  
 Email: [wayne.bridgeman@gov.mb.ca](mailto:wayne.bridgeman@gov.mb.ca)

Alex Wu  
 Senior Regulatory Affairs Officer  
 New Brunswick Securities Commission  
 Direct Line: 506-643-7695  
 Direct Fax: 506-658-3059  
 Email: [alex.wu@nbsc-cvmnb.ca](mailto:alex.wu@nbsc-cvmnb.ca)

Carl Allwood  
 Investigator, Investigation and Financial Analysis  
 Office of the Superintendent of Securities  
 Government of Newfoundland and Labrador  
 Tel: 709-729-2596  
 Securities Fax: 709-729-6187  
 Email: [callwood@gov.nl.ca](mailto:callwood@gov.nl.ca)

Scott Peacock  
 Director, Enforcement  
 Nova Scotia Securities Commission  
 Direct Line: 902-424-5343  
 Fax: 902-424-4625  
 Email: [peacocrs@gov.ns.ca](mailto:peacocrs@gov.ns.ca)

Ann Mankikar  
 Supervisor - Financial Examiners, Corporate  
 Finance  
 Ontario Securities Commission  
 Direct Line: 416-593-8281  
 Email: [amankikar@osc.gov.on.ca](mailto:amankikar@osc.gov.on.ca)

Joanna Fallone  
 Manager, Enforcement  
 Ontario Securities Commission  
 Direct Line: 416-593-8304  
 Direct Fax: 416-593-8321  
 Email: [jfallone@osc.gov.on.ca](mailto:jfallone@osc.gov.on.ca)

Edvie Élysée  
 Analyst, Continuous Disclosure  
 Autorité des marchés financiers  
 Tel: 514-395-0337, ext. 4416  
 Fax: 514-873-6155  
 Email: [Edvie.Elysee@lautorite.qc.ca](mailto:Edvie.Elysee@lautorite.qc.ca)

Ève Poirier  
 Secrétariat général  
 Autorité des marchés financiers  
 Tel: 514-395-0337, ext. 2527  
 Fax: 514-864-6381  
 Email: [eve.poirier@lautorite.qc.ca](mailto:eve.poirier@lautorite.qc.ca)

Tony Herdzik  
Acting Deputy Director, Corporate Finance  
Saskatchewan Financial Services Commission  
Direct Line: 306-787-5849  
Fax: 306-787-5899  
Email: [tony.herdzik@gov.sk.ca](mailto:tony.herdzik@gov.sk.ca)