

Chapter 5

Rules and Policies

5.1.1 National Instrument 24-101 Institutional Trade Matching and Settlement – Notice of Amendment

NOTICE OF AMENDMENT

NATIONAL INSTRUMENT 24-101 *INSTITUTIONAL TRADE MATCHING AND SETTLEMENT*

Making of the Amending Instrument

On December 10, 2019 the Commission made amendments (the **Amendments**) to National Instrument 24-101 *Institutional Trade Matching and Settlement* (**NI 24-101**).

Delivery of Amendments to Minister

The Commission delivered the Amendments to the Minister of Finance on March 24, 2020. If the Minister approves the Amendments within 60 days, they will come into force on July 1, 2020. If no action is taken by the Minister under subsection 143.3(3) of the *Securities Act* (**OSA**) the Amendments will come into force on July 1, 2020.

Substance and Purpose of the Amendments

The substance and purpose of the Amendments is to provide a three-year moratorium on the applicability of section 4.1 Exception reporting requirement of NI 24-101 (**Exception Reporting Requirement**). Specifically, registered dealers and advisers (**registered firms**) will not be required to deliver Form 24-101F1 to the Commission beginning on July 1, 2020 and ending on July 1, 2023.

Summary of Amendments

Background

NI 24-101 has been in effect since 2007. It provides a framework for ensuring efficient and timely settlement processing of institutional trades (equity and debt) by registered firms. NI 24-101 has a number of requirements including that registered firms are required to establish, maintain and enforce policies and procedures designed to achieve the matching threshold of institutional trades.

Under the Exception Reporting Requirement, registered firms are required to deliver Form 24-101F1 to the OSC if less than 90% of trades executed by or for the registered firm during the quarter matched within the time required by NI 24-101. Form 24-101F1 requires registered firms, among other things, to explain why they did not meet the exception reporting thresholds and the steps to address the delay.

Summary of the Amendments - Moratorium on the Applicability of the Exception Reporting Requirement

The Commission has decided to implement a three-year moratorium on the applicability of the Exception Reporting Requirement. Staff of other Canadian Securities Administrators (**CSA**) jurisdictions are recommending a three-year moratorium through blanket orders with a similar effective date.

During the three-year moratorium, the Commission will review NI 24-101 to determine, among other things, whether further changes should be made and whether requirements including the Exception Reporting Requirement should be permanently removed. Harmonising any amendments to NI 24-101 would require a CSA initiative.

NI 24-101 and Regulatory Burden Reduction

This initiative is linked to the work of the Burden Reduction Task Force (the **Task Force**) established by the Commission in coordination with the Ontario Ministry of Finance.

The Task Force is intended to focus efforts and to identify steps that can be taken to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other market participants.

The Task Force has a mandate to consider and act on any suggestions to eliminate unnecessary rules and processes while protecting investors and the integrity of our markets.

On January 14, 2019, OSC staff issued OSC Staff Notice 11-784 *Burden Reduction (SN 11-784)*. SN 11-784 sought comments on additional ways to reduce unnecessary regulatory burden.

Specific to NI 24-101, five commenters generally noted that the Exception Reporting Requirement is burdensome, not necessary and may not be useful. Staff agree with these comments and have identified the Exception Reporting Requirement as an area to remove unnecessary regulatory burden. As the industry has evolved, Staff are of the view that the Exception Reporting Requirement no longer meaningfully contributes to the OSC's oversight.

Continued Obligation Under NI 24-101

The amendment to NI 24-101 provides a three-year moratorium on the applicability of the Exception Reporting Requirement. The amendment to NI 24-101 does not relieve registered firms from complying with other requirements in NI 24-101 for example, establishing, maintaining and enforcing policies and procedures to achieve the matching threshold for institutional trades.

Authority for the Amendments

The authority for the Amendments is paragraph 11 of subsection 143(1) and subparagraph (2)(i) of subsection 143(1) of the OSA. Under subsection 143.2(5) of the OSA the Amendments are not required to be published for comment.

Annex

Annex A contains the Amendments.

Questions

If you have questions, please contact:

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ANNEX "A"

ONTARIO SECURITIES COMMISSION AMENDMENTS TO NATIONAL INSTRUMENT 24-101 *INSTITUTIONAL TRADE MATCHING AND SETTLEMENT*

1. ***National Instrument 24-101 Institutional Trade Matching and Settlement is amended by this Instrument.***
2. ***Part 4 is amended by adding the following section:***
 - 4.1.1 *Moratorium:*** In Ontario, despite subsection 2(1) of Ontario Securities Commission Rule 11-501 *Electronic Delivery Of Documents To The Ontario Securities Commission*, section 4.1 does not apply to a registered firm beginning on July 1, 2020 and ending on July 1, 2023.
3. This Instrument comes into force on July 1, 2020.