Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

# CSA Notice of Approval
# Mandatory Post-Trade Transparency of Trades in Government Debt Securities, Expanded Transparency of Trades in Corporate Debt Securities and Amendments to National Instrument 21-101 *Marketplace Operation* and Related Companion Policy

***On 24 September 2020, the Financial and Consumer Services Commission has published this CSA Notice of Approval which was originally published by the Canadian Securities Administrators on 4 June 2020.***

June 4, 2020

**Introduction**

The Canadian Securities Administrators (the **CSA** or **we**), have approved amendments to National Instrument 21-101 *Marketplace Operation* (**NI 21-101** or the **Instrument**) and its related Companion Policy (**21-101CP**) (together, the **Amendments**) in relation to the introduction of mandatory post-trade transparency of trades in government debt securities (the **Government Debt Transparency Framework**) and expanded transparency of trades in corporate debt securities (the **Expanded Corporate Debt Transparency Framework**).

We are publishing the text of the Amendments at Annex B to this Notice, together with other relevant information at Annexes C through E. The text of the Amendments will also be available on the websites of other CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
nssc.novascotia.ca
www.osc.gov.on.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca

Provided all ministerial approvals are obtained, the Amendments will come into force on August 31, 2020.

**Substance and Purpose**

The substance and purpose of the Amendments is to revise NI 21-101 and 21-101CP to prescribe mandatory post-trade transparency of trades in government debt securities and to expand transparency of trades in corporate debt securities. The Amendments adjust the rule framework to require all persons or companies that execute trades in government and corporate debt securities to report such trades to an information processor (**IP**), as required by the IP.

## Background

On May 24, 2018, the CSA published CSA Staff Notice and Request for Comment 21-323 (the **2018 Notice**).[1]

## Summary of Written Comments Received

In response to the 2018 Notice, we received submissions from eight commenters. We have considered the comments received and thank all commenters for their input. A list of those who submitted comments and a summary of the comments and our responses is attached at Annex D to this Notice. Copies of the comment letters are available at www.osc.gov.on.ca.

## Summary of the Amendments and Minor Changes

See Annex A for a summary of the Amendments and a description of minor changes that have been made to the Amendments proposed in the 2018 Notice.

## Local Matters

Certain jurisdictions are publishing other information required by local securities legislation. In Ontario, this information is contained at Annex E.

## Annexes

A. Summary of the Amendments and minor changes;

B. Amendments to NI 21-101;

C. List of commenters along with chart summarizing comments and CSA responses; and

## Questions

Please refer your questions to any of the following:

| | |
|---|---|
| Alina Bazavan<br>Senior Analyst, Market Regulation<br>Ontario Securities Commission<br>abazavan@osc.gov.on.ca | Heather Cohen<br>Legal Counsel, Market Regulation<br>Ontario Securities Commission<br>hcohen@osc.gov.on.ca |
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| Maxime Lévesque<br>Analyste expert, Direction de l'encadrement | Serge Boisvert<br>Senior Policy Advisor |

[1] https://fcnb.ca/sites/default/files/2020-02/21-323-CSAN-2018-05-24-E%20%281%29.pdf.

| | |
|---|---|
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## ANNEX A

## SUMMARY OF THE AMENDMENTS AND MINOR CHANGES

This Annex summarizes the Amendments and describes the minor changes from the proposed amendments published on May 24, 2018 in the 2018 Notice. While the Amendments have been approved mostly as proposed, an addition has been made to the volume caps as described below.

### 1. The Amendments

The Amendments introduce mandatory post-trade transparency requirements for government debt securities and expand the current transparency requirements for corporate debt securities. They were developed with the cooperation of staff from the Bank of Canada, the Department of Finance Canada and the Investment Industry Regulatory Organization of Canada (**IIROC**). As indicated in the 2018 Notice, the Amendments were drafted based on an analysis of data from the Market Trade Reporting System 2.0 (**MTRS 2.0**),[2] consultations with industry stakeholders and a review of the existing transparency regime for corporate debt securities. The complete text of the Amendments is available at Annex B.

### 2. Government Debt Transparency Framework

#### (a) The Amendments

The Government Debt Transparency Framework will be established by the Amendments and the appointment of an IP for government debt securities, which will implement the transparency requirements as articulated in 21-101CP.

As described in the 2018 Notice, the Amendments will change the existing provisions in section 8.1 of NI 21-101 to require a person or company that executes trades in government debt securities to provide information regarding trades in these securities to an IP. In addition, under subsection 14.4(2) of NI 21-101, the IP will be required to disseminate post-trade information about such trades. The CSA will identify the persons or companies required to report details of trades in government debt securities in the 21-101CP and will set the model for reporting and disseminating such information, including the dissemination delay and the volume caps.

#### (b) Comments Received and CSA Response

We proposed that the reporting requirements should be extended to the banks listed in Schedule I, II or III of the *Bank Act* (Canada) (**Banks**), and we sought specific comments regarding the expansion to Schedule III banks. The comments received, with one exception, strongly supported the inclusion of Banks, including Schedule III banks, to the extent that they execute trades in government debt securities. One commenter was initially of the view that expanding the regulatory requirements to Banks would lead to a change in the securities regulatory regime

[2] MTRS 2.0 data contains information about transactions in all debt securities reported by IIROC Dealer Members.

applicable to Banks which would deviate from the Hockin-Kwinter Accord.[3]

We are of the view that the expansion of the debt transparency requirements to Banks will not impact the regulatory regime applicable to them because they will continue to remain exempted from registration requirements under provincial securities laws. In addition, we believe that the expansion of the debt transparency requirements to Banks is required for meaningful transparency because a large proportion of trades in government and corporate debt securities is executed with counterparties other than the persons or companies already subject to transparency requirements under NI 21-101.[4] Therefore, not expanding the debt transparency requirements to Banks would lead to informational gaps, undermine transparency and create an unlevel playing field among debt market participants, allowing for arbitrage opportunities.

In a subsequent letter, this same commenter requested that Banks be given additional time to implement the debt transparency requirements. After careful consideration, we continue to be of the view that the additional nine months provided to Banks that are not currently reporting their transactions to the MTRS 2.0 is an appropriate delay.

Commenters also suggested that to avoid duplicative reporting, which could create a false perception of liquidity, Banks should be required to report trades in government debt securities to the IP only if such trades are executed with a person or company other than a dealer, as these transactions will already be reported by dealers to the IP.

We recognize the concerns expressed by commenters with respect to duplicative reporting. However, after considering all the comments received, we believe that, at this time, all persons or companies executing trades in government debt securities, including Banks, should report such trades to the IP. The IP has advised us that dual reporting is required for it to ensure the accuracy of the trade details being reported and to allow for corrections to be made when necessary. Such reporting will not be confusing because the IP will only disseminate one-sided information about trades in government debt securities.

The 2018 Notice proposed three volume caps for government debt securities and to delay the publication of trade details for all transactions until T+1 at 5:00 pm ET. The 2018 Notice also described how the volume caps were developed through an analysis of the trading patterns of the least liquid securities in each group of securities. As a result, we had proposed larger volume caps for the most liquid government debt securities and lower volume caps for less liquid government debt securities. We sought comments on whether the proposed volume caps and publication delay were appropriate, particularly for the most illiquid government debt securities, such as those issued by municipalities, or those held by a small number of investors.

The comments received were supportive of the proposed volume caps with the exception of the volume cap proposed for debt securities issued by Québec municipalities. As a result, we

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[3] Under the Accord, the government of Ontario and the federal government agreed that the Office of the Superintendent of Financial Institutions will regulate securities-related activities of federal institutions that are carried on directly by these institutions.

[4] Based on the data available to date, 65 percent of the trades reported in all debt securities and 52 percent of the volume reported in all debt securities would go partially unreported without the inclusion of the Banks.

conducted an additional analysis[5] to determine whether the differences in organization and trading patterns in debt securities issued by Québec municipalities relative to all other municipalities justified the creation of a fourth grouping of debt securities with a lower volume cap.

We note that the municipal market forms a core part of the Canadian debt landscape. Further, we note that in several provinces, including Ontario, British Columbia, Alberta, Nova Scotia and New Brunswick, there are provincially sponsored borrowing authorities that fund the municipalities. These authorities are not directly active in the debt markets. Québec does not have a provincially sponsored authority that manages the borrowing for the municipalities in the province. Thus, municipalities within the province are active issuers of publicly traded debt. Except for the City of Montréal, most of the Québec-based municipalities issue unrated serial bonds via an auction process.

Based on the data available to us, we noted that the municipal debt market in Québec represents approximately 40 percent of the total volume of municipal debt traded in Canada and approximately 72 percent of the number of trades executed. The size of a large trade in the 75$^{th}$ trade percentile is significantly lower than Ontario and British Columbia (i.e. $58,000 in Québec relative to $300,000 in Ontario and $674,000 in British Columbia). As a result, based on our additional analysis and the comments received, we created an additional, lower volume cap for trades in debt securities issued by Québec municipalities. The table below outlines the volume caps for all government debt securities covered by the transparency requirements.

*Table 1 – Grouping of government debt securities by volume caps*

<table>
<tr><th>$10M</th><th>$5M</th><th>$2M</th><th>250K</th></tr>
<tr><td>Government of Canada Bills (GoC Bills)</td><td>Government of Canada nominal bonds with over 10 years remaining to maturity (GoC>10)</td><td>All provincial debt securities including Real Return Bonds, Strip Coupons and Residuals</td><td>Québec municipal debt securities</td></tr>
<tr><td rowspan="2">Government of Canada nominal bonds with 10 or less years remaining to maturity (<b>GoC <=10</b>)</td><td rowspan="2"></td><td>All municipal debt securities, except those issued in Québec</td><td></td></tr>
<tr><td>All other agency debt securities</td><td></td></tr>
<tr><td>All Canada Mortgage Bonds (CMB)</td><td></td><td>Government of Canada Real Return Bonds</td><td></td></tr>
<tr><td></td><td></td><td>Government of Canada Strip Coupons and Residuals</td><td></td></tr>
</table>

With respect to the publication delay proposed in the 2018 Notice, the comments received provided mixed views regarding what would represent appropriate delay for different types of government debt securities. Two commenters suggested that certain less liquid government debt securities should be subject to lengthier publication delays, whereas two other commenters expressed concerns that the publication delay, as proposed, was not sufficiently timely when compared to those in other jurisdictions. The remaining commenters supported the proposed publication delay and considered it to be appropriate.

[5] The methodology used to determine whether a lower volume cap would be appropriate was identical to the one used and published in the 2018 Notice to determine the proposed volume caps for each securities grouping. See Schedule 1 of the 2018 Notice.

We recognize the concerns that have been historically raised about the potential impact of transparency on liquidity and the willingness of dealers to provide liquidity if information about their transactions becomes immediately available. After considering all comments received, we remain of the view that the publication of trade details on T+1 at 5:00 pm ET reflects the best balance between transparency and liquidity. This publication delay, together with the volume caps, should provide dealers with sufficient time to manage their inventory risk before information about their transactions is made public. We intend to monitor the impact of transparency over time and will adjust the dissemination delay and volume caps should there be any unintended consequences.

In support of this position, we further note that a review conducted by Staff of the Ontario Securities Commission after post-trade transparency was mandated for corporate debt securities showed no negative impact on the liquidity of the corporate debt market. Furthermore, there are currently other vendors that provide information about trades in corporate debt securities on a more timely basis than IIROC. There have been no concerns about this information being available to market participants.

### 3. Expanded Corporate Debt Transparency Framework

The Expanded Corporate Debt Transparency Framework will be established by the Amendments and will be implemented through the IP.

We noted in the 2018 Notice that the Amendments will change the existing provisions in section 8.2 of NI 21-101 to require a person or company that executes trades in corporate debt securities to provide information regarding trades in these securities to an IP, as required by the IP. IIROC has been the IP for corporate debt securities since July 4, 2016 and is currently disseminating post-trade information regarding trades in corporate debt securities. As with the Government Debt Transparency Framework, the CSA will identify the persons or companies required to report details of trades in corporate debt securities.

We sought comments on the expansion of the reporting and transparency requirements to Banks, and, in particular, Schedule III banks. The comments received, with one exception, strongly supported the inclusion of Banks, including Schedule III banks to the extent that they execute trades in corporate debt securities.

In addition, to align the publication delay between government and corporate debt securities, we indicated in the 2018 Notice that we were proposing to shorten the publication delay for information about trades in corporate debt securities from T+2 at midnight to T+1 at 5:00 pm ET.

### 4. IIROC as the Information Processor for Debt Securities

#### (a) Summary of IIROC's Operations as an IP

The role of an IP for debt securities is to provide transparency to the public regarding trades in corporate and/or government debt securities. NI 21-101 contains the framework for the regulation of an IP. Specifically, it mandates the IP to:

- provide prompt and accurate order[6] and trade information to the public;

- not unreasonably restrict fair access to such information;

- provide timely, accurate, reliable and fair collection, processing, distribution and publication of information for orders and trades in debt securities;

- maintain reasonable books and records; and

- maintain resilient systems and arrange to conduct an annual independent system review.

We recommended IIROC be designated as the IP for government debt securities in addition to being designated as the IP for corporate debt securities. To expand its mandate to all debt securities, IIROC will file changes to its Form 21-101F5 *Initial Operation Report for Information Processor* (**Form 21-101F5**) in accordance with the requirements of NI 21-101.

As an IP for debt securities, IIROC will collect government debt data in addition to corporate debt data and make publicly available a subset of this data, described below, in accordance with the requirements of NI 21-101. IIROC will collect the data using the same platform it uses to collect corporate debt data, MTRS 2.0, which facilitates dealers' reporting of debt trades in accordance with the requirements of IIROC Rule 2800C. To disseminate the government debt data, IIROC will use the same web-based system it uses for the dissemination of corporate debt data. The data will be disseminated on T+1 at 5:00 pm ET for both corporate and government debt transactions.

The data that will be made transparent will consist of both historical data for each debt security and trade details for each trade. The government and corporate debt data that will be made available will include the issuer's name, interest rate, yield, price and volume. The volume will be subject to volume caps, as provided in Table 1 above. The complete list of data fields that will be included in the information disseminated is available at Schedule 1 of this Annex.

As mentioned above, the data for both corporate and government debt trades will be disseminated on T+1 at 5:00 pm ET. Currently, information on transactions in corporate debt securities is disseminated at midnight on T+2, which means that the dissemination of information about trades in corporate debt securities will be accelerated.

Shortening the dissemination delay accords with the CSA's view that the publication delay should be reduced over time where appropriate and after careful consideration.[7] The CSA and IIROC will monitor the debt trading activity as well as the appropriateness of the publication delay and the volume caps over time to determine whether to further reduce the publication delay and/or amend the volume caps. Any changes to these or other aspects of the transparency

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[6] Currently there is no requirement to report or display orders.

[7] See CSA Staff Notice 21-317 *Next Steps in Implementation of a Plan to Enhance Regulation of the Fixed Income Market.*

framework will be subject to public consultation.

### (b) Implementation of the Government Debt Transparency Framework and the Expanded Corporate Debt Transparency Framework

As indicated above, the Amendments require persons or companies that execute trades in government debt securities and corporate debt securities to provide details of such trades to an IP, as required by the IP for those securities. The reporting of trades will not create any additional burden for dealers and those Banks that are currently required or are choosing to report trades in corporate debt securities to IIROC IP under section 8.2 of NI 21-101. However, for other Banks, additional time may be needed for implementation. As a result, once IIROC is designated as an IP for all debt securities, which will occur in tandem with the implementation of the Amendments, it will introduce transparency in two phases:

- August 31, 2020 – the IP begins to disseminate post-trade information for trades in government debt securities executed by dealers that are currently subject to IIROC Rule 2800C, marketplaces, inter-dealer bond brokers and Banks that are currently reporting their corporate debt transactions to the MTRS 2.0, in addition to disseminating the existing post-trade information for corporate debt securities.

- May 31, 2021 – the IP begins disseminating post-trade information for trades in corporate and government debt securities executed by those Banks that do not currently report their debt transactions to the MTRS 2.0.

### (c) Regulatory Requirements and Oversight by CSA Staff

As an IP for debt securities, IIROC will be subject to the applicable regulatory requirements in NI 21-101. IIROC will also comply with the terms and conditions[8] set by the regulatory authorities in each jurisdiction.

The CSA will conduct oversight activities to ensure that as an IP for debt securities, IIROC complies with the requirements in NI 21-101 and the terms and conditions set by regulatory authorities in each jurisdiction. The terms and conditions for IIROC as an IP for debt securities in Ontario were published in the 2018 Notice. The terms and conditions have since been streamlined to reflect discussions among the CSA and are set out again at Annex E – Local matters for Ontario. None of the changes to the terms and conditions are material.

[8] For now, terms and conditions will be contained in a Designation Order in British Columbia, Ontario and Saskatchewan, a Recognition Order in Québec and in undertakings from the IP in all other jurisdictions. These terms and conditions will be set by each applicable regulator.

## SCHEDULE 1

## DATA FIELDS FOR THE GOVERNMENT DEBT INFORMATION TO BE DISSEMINATED BY IIROC AS AN INFORMATION PROCESSOR

The data fields below will be made publicly available by IIROC as an information processor. They apply to all government and corporate debt securities subject to transparency requirements.

*I. Summary level data for each bond*

1. CUSIP and/or ISIN number, where available
2. Issuer name
3. Type of bond (New)
4. Original issue date (New)
5. Maturity date
6. Coupon rate
7. Last traded price
8. Last traded yield
9. Total trade count (total trades done on the last trade date)
10. Last trade date
11. Highest traded price on the last trade date
12. Lowest traded price on the last trade date

*II. Transaction level data for each bond*

1. CUSIP and/or ISIN number, where available
2. Issuer name
3. Maturity date
4. Coupon rate
5. Date of execution
6. Time of execution
7. Settlement date
8. Type (indicates whether the transaction is new, a cancellation or a correction)
9. Volume (subject to volume caps)
10. Price
11. Yield
12. Account type (retail or institutional counterparty)
13. An indication of whether a commission was recorded ("yes" or "no" answer)

# APPENDIX B

## AMENDMENTS TO NATIONAL INSTRUMENT 21-101

## *MARKETPLACE OPERATION*

***1.*** ***National Instrument 21-101 Marketplace Operation is amended by this Instrument.***

***2.*** ***Section 1.1 is amended by replacing the definition of "***information processor***" with the following:***

**"**information processor,

(a) in every jurisdiction except for British Columbia, means any person or company that receives and provides information under this Instrument and has filed Form 21-101F5 and,

(b) in British Columbia, means a person or company that is designated as an information processor for the purposes of this Instrument;**".**

***3.*** ***The title to Part 8 is replaced with "*****INFORMATION TRANSPARENCY REQUIREMENTS FOR PERSONS AND COMPANIES DEALING IN UNLISTED DEBT SECURITIES*****".***

***4.*** ***Subsection 8.1(1) is amended by replacing "***marketplace as required by***" with "***marketplace, as required by***".***

***5.*** ***Subsection 8.1(3) is repealed.***

***6.*** ***Subsection 8.1(4) is amended by replacing "***marketplace as required by***" with "***marketplace, as required by***".***

***7.*** ***Subsection 8.1(5) is replaced with the following:***

(5) A person or company must provide to an information processor accurate and timely information regarding trades in government debt securities executed by or through the person or company, as required by the information processor.

***8.*** ***Subsection 8.2(1) is replaced with the following:***

(1) A marketplace that displays orders of corporate debt securities to a person or company must provide to an information processor accurate and timely information regarding orders for corporate debt securities displayed by the marketplace, as required by the information processor.

***9.*** ***Subsection 8.2(3) is replaced with the following:***

(3) A person or company must provide to an information processor accurate and timely information regarding trades in corporate debt securities executed by or through the person or company, as required by the information processor.

***10.*** ***Subsections 8.2(4) and 8.2(5) are repealed.***

***11.*** ***Section 8.3 is amended by replacing "***an accurate consolidated feed in real-time***" with "***accurate consolidated information on a timely basis***".***

***12.*** ***Section 8.4 is amended by replacing "***marketplace, inter-dealer bond broker or dealer***" with "***person or company***".***

***13.*** ***Subsection 14.4(1) is replaced with the following:***

(1) An information processor for exchange-traded securities must enter into an agreement with each marketplace that is required to provide information to the information processor which states that the marketplace will

(a) provide information to the information processor in accordance with Part 7 of this Instrument; and

(b) comply with any other reasonable requirements set by the information processor.

***14.*** ***Subsection 14.4 (4) is amended by replacing "***marketplace, inter-dealer bond broker or dealer***" with "***person or company***".***

***15.*** ***Subsection 14.4(8) is repealed.***

***16.*** ***Subsection 14.4(9) is repealed.***

***17.*** ***Subparagraph 14.5(d)(ii) is amended by replacing the word "***calendar***" with "***information processor's financial***".***

***18.*** ***Subsection 14.7 is amended by replacing "***marketplace, inter-dealer bond broker or dealer***" with "***person or company***".***

***19.*** ***Paragraph 14.8(b) is replaced with the following:***

(b) in the case of an information processor for government debt securities or corporate debt securities,

(i) the marketplaces that report orders for corporate debt securities or government debt securities to the information processor, as applicable,

(ii) the inter-dealer bond brokers that report orders for government debt securities to the information processor,

(iii) the persons and companies that report trades in corporate debt securities or government debt securities to the information processor, as applicable,

(iv) when trades in each corporate debt security or government debt security, as applicable, must be provided to the information processor by a person or company,

(v) when the information provided to the information processor will be publicly disseminated by the information processor, and

(vi) the cap on the displayed volume of trades for each corporate debt security or government debt security, as applicable,***.***

***20.*** ***Subsection 14.8 is amended by deleting*** "and" ***at the end of paragraph (c), by adding*** "and" ***at the end of paragraph (d) and by adding the following paragraph***:

(e) a list of the types of data elements relating to the order and trade information required to be provided under Part 7 or Part 8 of this Instrument.

**Coming into force**

***21.*** (1) This Instrument comes into force on August 31, 2020.
(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after August 31, 2020, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

# APPENDIX B

**Changes to Companion Policy 21-101CP *Marketplace Operation***

***1. The changes to Companion Policy 21-101CP are set out in this Document*.**

***2. Section 10.1 is replaced with:***

(1) The requirements for pre-trade transparency of orders for unlisted debt securities set out in sections 8.1 and 8.2 of the Instrument have not been implemented by reason of the exception provided for in section 8.6 of the Instrument and the fact that no pre-trade requirements have been set by an information processor for corporate debt securities.

(2) The requirements for post-trade transparency of trades in unlisted debt securities are set out in sections 8.1 and 8.2 of the Instrument. The detailed reporting requirements, determined by the Canadian securities regulatory authorities and implemented through the information processor, such as who must report information, deadlines for reporting, delays in publication of information and caps on displayed volume, are articulated in this companion policy and in Form 21-101F5. ,

(3) Sections 8.1 and 8.2 of the Instrument require persons or companies executing trades in unlisted debt securities by or through that person or company to report these trades to the information processor. Specifically, such persons or companies are currently marketplaces, dealers, inter-dealer bond brokers and banks listed in Schedule I, II and III of the *Bank Act* (Canada).

(4) The detailed reporting requirements for trades in unlisted debt securities include, but are not limited to, details as to the type of issuer, coupon and maturity, last traded price, last traded yield, date and time of execution, settlement date, the type of transaction, the volume transacted (subject to volume caps), as required by the information processor.

(5) Details of the volume transacted will be subject to volume caps as follows:

(a) If the total par value of a trade of an investment grade corporate debt security is greater than $2 million, the information processor will display it as "$2 million+". If the total par value of a trade of a non-investment grade corporate debt security is greater than $200,000, the information processor will display it as "$200,000+".
(b) For government debt securities, the volume transacted will be displayed by the information processor in accordance with the chart below:

| **$10M** | **$5M** | **$2M** | **250K** |
|---|---|---|---|
| Government of Canada Bills (**GoC Bills**) | Government of Canada nominal bonds with over 10 years remaining to maturity (**GoC>10**) | All provincial debt securities including Real Return Bonds, Strip Coupons and Residuals | Québec municipal debt securities |
| Government of Canada nominal bonds with 10 or less years remaining to maturity (**GoC <=10**) | | All municipal debt securities, except those issued in Québec | |
| | | All other agency debt securities | |
| All Canada Mortgage Bonds (**CMB**) | | Government of Canada Real Return Bonds | |
| | | Government of Canada Strip Coupons and Residuals | |

(6) The information processor may propose changes to its transparency requirements by filing an amendment to Form 21-101F5 with the Canadian securities regulatory authorities pursuant to subsection 14.2(1) of the Instrument. The Canadian securities regulatory authorities will review the amendment to Form 21-101F5 to determine whether the proposed changes are contrary to the public interest, to ensure fairness and to ensure that there is an appropriate balance between the standards of transparency and market quality (defined in terms of market liquidity and efficiency) in each area of the market. Any initial transparency requirements and any

proposed changes will be subject to consultation with market participants through a notice and comment process, prior to approval by the Canadian securities regulatory authorities.

***3. Section 10.2 is deleted.***

***4. Section 10.3 is replaced with:***

**Consolidated Feed –** Section 8.3 of the Instrument requires the information processor to produce accurate consolidated information on a timely basis showing the information provided to the information processor under sections 8.1 and 8.2 of the Instrument. The Canadian securities regulatory authorities have determined that information about trades in unlisted debt securities should be displayed by the information processor at 5:00 pm the day after the trade was executed by or through a person or company (T+1 at 5:00 pm ET).

***5. Subsection 16.1(2) is changed by replacing "***marketplaces, inter-dealer bond brokers and dealers***" with "***persons and companies***" and "***marketplace, inter-dealer bond broker or dealer***" with "***person or company***".***

***6. Subsection 16.2(1) is changed by deleting "***In Québec, a person or company may carry on the activity of an information processor only if it is recognized by the securities regulatory authority".

***7. Section 16.2 is changed by adding paragraph (4) "***The specific authority of securities regulatory authorities to allow a person or company to act as an information processor for the purposes of the Instrument may differ, depending on the relevant legislative framework. For instance, in Québec, a person or company may carry on the activity of an information processor, only if it is recognized or exempted by the securities regulatory authority. In certain other jurisdictions, a person or company may be designated an information processor, subject to the relevant requirements in securities legislation or may otherwise be allowed to act as an information processor, if it is in the public interest**".**

***8. Paragraph 16.3(c) is changed by replacing "***marketplaces, inter-dealer bond brokers and dealers***" with "***persons and companies***".***

***9. Paragraph 16.3(k) is replaced with:***

(k) in the case of an information processor for corporate debt securities or government debt securities, changes to the information referred to in paragraph 14.8(b) of the Instrument.**.**

***10.*** These changes become effective on August 31, 2020.

## APPENDIX C

## LIST OF COMMENTERS

The Canadian Advocacy Council for Canadian CFA Institute Societies
Canadian Bankers Association (letters dated Aug 29, 2018 and Sep 12, 2019)
Casgrain & Company Limited
GWN Capital Management Ltd.
Invesco Canada Ltd.
Investment Industry Association of Canada
Ontario Teachers' Pension Plan
Region of Peel

## SUMMARY OF COMMENTS AND CSA RESPONSES

| Topic | Summary of Comments | CSA Responses |
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| **General Comments** | All commenters were supportive of initiatives to enhance debt transparency although they provided mixed views regarding what level of transparency would be appropriate. Some commenters expressed the view that there should be more transparency in the debt market, including pre-trade transparency, while others cautioned that too much transparency may negatively impact the liquidity of the market and dealers' ability to continue to provide market making services. | We do not intend to mandate pre-trade transparency at this time. We remain of the view that the debt market functions differently from the equity market. It is a dealer market with no central information exchange.<br><br>In addition, we recognize the concerns expressed by commenters that too much transparency may negatively impact liquidity and have introduced mitigating factors, including the volume caps and dissemination delay. |
| **Question 1: Should the Proposed Government Debt Framework be expanded to Banks, and, in particular, Schedule III banks?**<br><br>**Question 3: Should the Expanded Corporate Debt Proposal include Banks, and, in particular Schedule III banks?** | All commenters, with one exception, were supportive of extending the government and corporate debt transparency requirements to Banks, including Schedule III banks.<br><br>Some commenters supportive of the inclusion of Banks suggested that if Banks, particularly Schedule III banks, execute trades in government or corporate debt securities with entities that are currently subject to the transparency requirements, they should not report these trades to the IP as this approach could lead to dual reporting, inefficiencies and errors.<br><br>These commenters indicated that when Banks are transacting with non-reporting entities, they should be required to | We agree with most commenters that the government and corporate debt transparency requirements should be extended to Banks.<br><br>We recognize the concerns expressed by commenters with respect to duplicative reporting but remain of the view that all persons or companies executing trades in government and corporate debt securities should report such trades to the IP. We note that IIROC, as the IP for corporate debt securities, already requires and synthesizes dual-sided reporting without issue while disseminating only one-sided information. IIROC will |

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| | report. They further suggested that if Banks are included as reporting entities, the CSA should consider creating a reporting hierarchy to ensure the elimination of dual-sided reporting.<br><br>One commenter expressed the view that expanding the regulatory requirements to Banks would lead to a change in the securities regulatory regime in violation of the Hockin-Kwinter Accord (**HKA**).[1] In addition, this commenter, while supportive of regulatory initiatives intended to enhance transparency in the capital markets, indicated that the Amendments, as currently drafted, might create significant operational challenges for both the CSA and market participants and create confusion in the market.<br><br>After further discussions, this commenter requested that Banks be given additional time to implement the debt transparency requirements. | take the same approach for trades in government debt securities.<br><br>With respect to the HKA, the CSA is of the view that the expansion of the debt transparency requirements to Banks does not change the regulatory regime applicable to them because they will continue to remain exempted from registration requirements under provincial securities laws. In addition, we are of the view that the expansion of the debt transparency requirements to Banks is required to achieve meaningful transparency.<br><br>Furthermore, we note that five banks are already reporting details of trades in corporate and government debt securities to IIROC through the MTRS 2.0. The data available to date indicates that a large proportion of trades in government and corporate debt securities are executed with counterparties other than the persons or companies already subject to transparency requirements under NI 21-101 (i.e. 65 percent of the trades reported in all debt securities and 52 percent of the volume reported in all debt securities).<br><br>Based on this information, the CSA is of the view that not extending the transparency requirements to Banks would lead to an informational gap, undermine transparency and create an unlevel playing field among debt market participants, allowing for arbitrage opportunities. |

[1] Under the Accord, the government of Ontario and the federal government agreed that the Office of the Superintendent of Financial Institutions will regulate securities-related activities of federal institutions that are carried on directly by these institutions.

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| | | With respect to any operational burden, while the debt transparency requirements will be new for those Banks not currently reporting, they will have three reporting options and will be able to choose the one that best suits their transaction volume and existing infrastructure in the most cost-effective manner. As a result, we continue to be of the view that the nine-month delay in implementation provided to those Banks that do not currently report their transactions to the MTRS 2.0 is appropriate. |
| **Question 2: Are the volume caps and publication delays appropriate, particularly for the most illiquid government debt securities such as those issued by municipalities, or those held by a number of investors?** | The comments received provided mixed views regarding what would represent appropriate delays for different types of government debt securities. While many commenters expressed support for the proposed volume caps and publication delay, one of these commenters added the caveat that the proposed volume caps and publication delay should be harmonized with the TRACE system in the United States in the near term whenever possible.<br><br>Below is a summary of the comments made by commenters in relation to the proposed publication delay and volume caps:<br>- longer publication delays should be considered for those corporate and government debt securities that trade less frequently;<br>- there are no evident benefits of shortening the publication delay from T+2 (midnight) to T+1 (5:00 pm ET) for market participants given that although market participants may have access to publicly available information more rapidly (to a maximum of seven hours), they may not use the information or trade on it before T+2, which is | We recognize the concerns that have been raised about the potential impact of transparency on liquidity and the willingness of dealers to provide liquidity if information about their transactions becomes immediately available. To address this, we have included volume caps and a dissemination delay.<br><br>After considering all comments received, we are of the view that the publication of trade details on T+1 at 5:00 pm ET is appropriate. After additional analysis and with the benefit of the comments received, we created an additional, lower volume cap for trades in securities issued by Québec municipalities. The publication delay, together with the volume caps, provide dealers with sufficient time to manage their inventory risk before information about their transactions becomes publicly available.<br><br>We intend to monitor the impact of transparency over time and will adjust the dissemination delays and the volume caps should any unintended consequences be uncovered. |

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| | currently the disseminating timing for corporate bonds;<br>- municipal debt securities should have a lower volume cap of $250K to reflect their smaller average transaction size evidenced by debt market committee members;<br>- the municipal volume cap should be lowered to $0.5M to account for illiquidity, lower average transaction size and daily volume; and<br>- GoC Bills, GoC <= 10 years, GoC > 10 years and CMB should have a volume cap of $3M, as at $3M, large market participant trades will be properly masked with trades from smaller participants. | |