



INVESTMENT INDUSTRY ASSOCIATION OF CANADA  
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

June 8, 2010

Angie F. Foggia  
Policy Counsel, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
121 King Street West, Suite 1600  
Toronto, Ontario M5H 3T9

Manager of Market Regulation  
Ontario Securities Commission  
19<sup>th</sup> Floor, Box 55  
20 Queen Street West  
Toronto, Ontario M5H 3S8

Dear Ms. Foggia:

**RE: Request for comments: Rules Notice 10-0097 “Trade Confirmation and Matching Requirements” (the “Notice”)**

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the Notice entitled “Trade Confirmation and Matching Requirements” issued on April 9, 2010.

The IIAC recognizes and appreciates that the Investment Industry Regulatory Organization of Canada (IIROC) has already considered industry input while developing the Notice. However, a Working Group organized by the IIAC identified a few issues and we ask that IIROC consider the comments and requests for clarification put forward in this letter. The IIAC would be happy to meet with IIROC staff to further discuss any of these issues.

## **Proposed changes to Rule 800.49 (Broker-to-broker trade matching)**

### ***Extension of trade reporting requirement***

In general, we welcome the proposed amendment that will extend the trade reporting requirement from “within one hour of trade execution” to “at or before 6:00 p.m. on the day of the trade”. Members agree that this change will enable clients who presently use batch processing to achieve higher rates of compliance. However, while our members are generally pleased with the change to a 6:00 p.m. cut off time, some comments suggested that this time frame may be early given that daily batch trade file submission to CDS occurs closer to midnight on T. We would appreciate some clarification as to why the cut-off times have not been made consistent.

It was also noted that in order to take advantage of an extension, some firms may need to extend their hours of operation to ensure that contacts are available to discuss a particular transaction. There may be potential for non-compliance among firms (and clients) that cannot incur the extra costs of maintaining staff until an extended cut-off time (whether it is 6:00 p.m. or otherwise). While we do not think it is appropriate to mandate staffing requirements, our members believed it was important to point out to regulators that the compliance rates will continue to be affected in the instances where firms and clients simply do not have the resources to extend their hours.

### ***Definition of non-exchange trade***

Our members generally agreed that the proposed definition of “non-exchange trade” will assist in clarifying the actual trade type that is covered by the Rule.

### ***Introduction of monthly “compliance trade percentage”***

Members agree that the requirement to complete a monthly compliance report will increase the focus of members and clients on the requirements of the Rule. However, it was recommended that IIROC provide further details on the reporting requirements (i.e. provide a format for the report to ensure consistency in the content). Members were also interested in the availability of online reporting, similar to what is available for reporting under National Instrument 24-101.

Members have also suggested that more guidance be provided on the timeframe in which the report is to be provided (the draft language only provides for reports to be made “promptly”). It has also been suggested that quarterly reporting, similar what is required by NI 24-101, would be more appropriate and efficient than what is proposed in the Notice as confusion between the two rules may occur. We would also like to request clarification on how compliancy rates will be measured going forward. For instance, will IIROC continue to provide Dealer Members with monthly recaps or will Dealer Members be required to build in house reporting tools? Furthermore, we request clarification if the proposed thresholds will still be based on the number of trades.

Finally, members would like to receive further guidance on the non-eligibility for exemptive relief with respect to trade confirmations in the Proposed Amendments to Rule 200.1(h). Specifically, members are seeking more clarification on the requirements necessary to take advantage of exemptive status once the compliance target is met. There is concern that in many firms, there is a manual process to trigger confirmation processing and uncertainty and delay about the trigger might result in unnecessary stopping and starting of the confirmation reporting process. For example, we received questions about the length of time a firm must be reaching compliance targets before the exemption is available, and whether or not a reaffirmation of the client waiver is required.

## **Conclusion**

We would be happy to meet with you to discuss these issues and how they might be addressed, and to provide you with any information you require that could assist in the further development of more practical guidance on implementation. Please contact the undersigned with any questions or meeting requests.

Yours sincerely,

*“Jack Rando”*