



Attachment C

Comments Received in Response to

IIROC Notice 18-0052 – Rules Notice - Request For Comments – Dealer Member Rule

Proposed Amendments to Transaction Reporting for Debt Securities

On March 8, 2018, IIROC issued Notice [18-0052](#) requesting comments on Proposed Amendments to Transaction Reporting for Debt Securities (**March 2018 Proposal**). IIROC received comments on the March 2018 Proposal from:

Casgrain & Company Limited (**Casgrain**)

CIBC World Markets Inc. (**CIBC**)

Investment Industry Association of Canada (**IIAC**)

Laurentian Bank Securities (**Laurentian**)

RBC Dominion Securities Inc. (**RBC**)

Copies of these comments are publicly available on IIROC's website (www.iiroc.ca). The following table summarizes these comments and our responses:

Text of Proposed DMR Amendments in March 2018 Proposal Marked to Reflect Adoption of Revised Proposal	Summary of Comments	IIROC Response
	Opposes the proposal	
	Proposal as currently drafted could detract from IIROC's debt market surveillance objectives in the following ways: compressed timelines may erode the quality of reported data, leading IIROC Surveillance to rely on inaccurate and/or incomplete information when conducting its reviews.	The proposed shortened reporting timelines would further IIROC's surveillance objectives by providing an opportunity for Debt Surveillance to detect and/or correct issues before a trade settles. For this reason, we intend to move forward with this proposal. Data quality



	changes to data fields will entail complicated and costly revisions to Dealer Members' infrastructure and procedures, which will impact their ability to report transactions to IIROC. (IIAC, RBC, Laurentian, Casgrain, CIBC)	- We have seen a steady improvement in the quality of reported data over the past two years, and anticipate minimal impact to data quality. Where necessary, we would continue to work with Dealer Members to improve the accuracy of reports on a post-submission basis and quickly resolve any issues. - We have begun work on a system change which will result in the rejection of only the line(s) with the error rather than the entire file. We plan to have these changes in place prior to the implementation of the revised proposal. Impact on Dealer Members' infrastructure and procedures from changes to data fields - To lessen this impact on Dealer Members, we removed six of the data fields we proposed in the March 2018 Proposal.
	Changes to day cut-off	
RULE 2800C TRANSACTION REPORTING FOR DEBT SECURITIES 2. Reporting Requirements 2.1 (a) General Transaction Reporting Requirement ... (b) Exceptions - the following must not be reported under section 2.1(a) of this Rule 2800C:	Recommends to continue with 6 p.m. cut-off time (rather than the proposed 4 p.m. cut-off time) for secondary and primary market transactions. The proposed 4 p.m. cut-off time would entail "breaking the batch", where two files would have to be created for the same business day, which would: decouple reporting and processes for other purposes (e.g. collateral management/securities movements, P&L calculations, margin/risk calculations, etc.) from debt transaction reporting (CIBC)	We would not change the 4 p.m. day cut-off time since we believe this may benefit smaller Dealer Members by allowing them to: - report transactions executed during a shorter time period - have more time to report transactions to IIROC. However, Dealer Members may use a longer day cut-off time if that reduces impacts to their systems and processes. In particular, to prevent Dealer Members from having to "break the batch",



(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. However, if that transaction is a new issue of a Debt Security, it shall be reported within the timeframe stated in <u>paragraph clause</u> (ii) of subsection 2.5(a) of this Rule 2800C. ... 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 4:00 p.m. Eastern Time, the report must be made no later than 10:00 p.m. Eastern Time on the same Business Day as the date of transaction execution; (B) if the date of transaction execution is a Business Day and the time of transaction execution is after 4:00 p.m. Eastern Time, the report:	add another major workflow (IIAC, CIBC, RBC, Laurentian). Asks IIROC to clarify if Dealer Members can continue to use a 6 p.m. cut-off time for reporting secondary market transactions. (IIAC, RBC, Laurentian)	Dealer Members can continue to use the 6 p.m. day cut-off time for primary and secondary market transaction reporting.
	Shortening transaction reporting timeframe	
	For secondary market transactions occurring before 6 p.m., recommends reporting trades by by 10 a.m. on T+1. (IIAC, CIBC, RBC, Laurentian, Casgrain) For primary market transactions, recommends that for ISIN/CUSIP assigned: - before 6 p.m.: to report by 10 a.m. on T+1 - after 6 p.m.: to report by 10 a.m. on T+2. (IIAC, CIBC, RBC, Laurentian)	We thank commenters for their suggestions. Reporting on T+1 would prevent IIROC from reviewing the trades before settlement. We understand the proposed shortened reporting timeframe may have significant impacts on some Dealer Members. However we believe that it is an important objective to pursue because it would: - align with the new settlement cycle in Canada and therefore provide IIROC with an opportunity to detect and/or correct issues before settlement - be closer to the reporting requirements in other jurisdictions. For example, FINRA requires same-day reporting under the TRACE Reporting Timeframes.³ We understand that some Dealer Members may need to amend their processes to accommodate the new reporting timeframe, however we would work with Dealer Members that may initially experience an impact on the data quality they
	Commenters identified the following issues with shortened reporting timeframe: - Current processes cannot be easily compressed to accommodate the new 10 p.m. reporting deadline. (IIAC, CIBC, RBC, Laurentian) - There may an impact to data quality: - Dealers may not conduct reconciliations before reporting to IIROC because:	

³ [TRACE Reporting Timeframes](#) effective July 2017.



○ <u>may be made by 10:00 p.m. Eastern Time on the same Business Day as the date of the transaction execution, and</u> ○ must be made no later than 10:00 p.m. Eastern Time on the first 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 10:00 p.m. Eastern Time on the first 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: (A) where the ISIN or CUSIP is assigned before 4:00 p.m. Eastern Time, no later than 10:00 p.m. Eastern Time on the same Business Day that the ISIN or CUSIP number is assigned; (B) where the ISIN or CUSIP is assigned after 4:00 p.m. Eastern Time, no later than 10:00 p.m. Eastern Time on the first Business Day following the day that the ISIN or CUSIP was assigned.	▪ Reconciliations are conducted on the night of the execution and the next morning. (CIBC) ▪ Automated reports from service bureaus used for reconciliations would only be available on T+1. May need manual interventions to address discrepancies before re-sending data to IIROC. (Casgrain) ○ If Dealer Members are not able to correct trades prior to settlement, there would be a larger number of incorrect trades reported to IIROC, causing more false positives in IIROC's surveillance efforts. (IIAC, RBC, Laurentian) IIAC recommends IIROC reach out to carrying brokers to understand the impact of new reporting timeframes on smaller Dealer Members, who may rely on manual processes to correct errors and/or report trades.	report to improve the quality on a post-submission basis. We discussed our March 2018 Proposal and revised proposal with the Fixed Income Advisory Committee, which has carrying broker representation.
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	IIROC processes for handling rejected files submitted by Dealer Members	
	Recommends IIROC change procedures regarding errors in file submissions by Dealer Members. Rather than rejecting the entire file, IIROC should accept the file minus the line(s) with the error(s). (IIAC, CIBC, RBC, Laurentian)	We have begun work on a system change which will result in the rejection of only the line(s) with the error rather than the entire file. We plan to have these changes in place prior to the implementation of the revised proposal.
	Removing reporting requirement on ATSs when trading against Dealer Member	
2.2 Reporting Responsibilities of Dealer Members and ATSs Reporting responsibilities in the most common situations are as follows: ... (c) In a transaction between a Dealer Member and an Alternative Trading System (ATS), the Dealer Member must report. In a transaction between an ATS and a client, the ATS reports.	Casgrain agrees that duplication of information is not necessary.	We note the comments. We would reflect any cost savings from removing duplicative reporting by ATSs in our debt market regulation fee model.
	Agrees that duplicative reporting is not warranted, and expects cost savings at IIROC to be reflected in IIROC's debt market regulation fee model. (IIAC, CIBC, RBC, Laurentian)	
	Asks IIROC to provide a list of ATSs covered by the March 2018 Proposal. (IIAC, CIBC, RBC, Laurentian)	We would remove the reporting requirement on ATSs when trades are executed against a Dealer Member. The following is a list of debt ATSs currently operating in Canada:⁴ • Perimeter CBID • MarketAxess • Liquidnet • CanDeal.
	New data fields – general	
	CIBC asks if IIROC can directly source some of the requested information or if Dealer Members can provide it on a voluntary basis.	As mentioned above, we would remove six of the data fields proposed in the March 2018 Proposal. We will instead try and obtain this information through a new reference data source, where available. This cost would be shared by all Dealer Members.

⁴ The Ontario Securities Commission provides a list of ATSs currently operating in Ontario at http://www.osc.gov.on.ca/en/Marketplaces_ats_index.htm.



			New data fields: Variable Rate Note, Callable Indicator, New Issue Fee																						
2.4 Information Required on Transaction Reports ... (c) Each transaction report must contain the following data elements relevant to a bond or Repo transaction as applicable: <table><tr><th>No.</th><th>Data</th><th>Description</th></tr><tr><td>...</td><td>...</td><td>...</td></tr><tr><td>26.</td><td>VARIABLE RATE NOTE</td><td>Special Condition Indicator to indicate whether the Debt Security has a variable coupon rate</td></tr><tr><td>27.</td><td>CALLABLE INDICATOR</td><td>Special Condition Indicator to indicate whether a Debt Security is callable prior to maturity</td></tr><tr><td>...</td><td>...</td><td>...</td></tr><tr><td>32.</td><td>NEW ISSUE FEE</td><td>Where the transaction is a Primary Market issue, specify the fee associated with the new issue distribution</td></tr><tr><td>...</td><td>...</td><td>...</td></tr></table>			No.	Data	Description	...	...	...	26.	VARIABLE RATE NOTE	Special Condition Indicator to indicate whether the Debt Security has a variable coupon rate	27.	CALLABLE INDICATOR	Special Condition Indicator to indicate whether a Debt Security is callable prior to maturity	...	...	...	32.	NEW ISSUE FEE	Where the transaction is a Primary Market issue, specify the fee associated with the new issue distribution	...	...	...	Recommends IIROC to source information for certain fields (Variable Rate Note, Callable Indicator, New Issue Fee) directly from the central repository, and to update/maintain the security master file on behalf of the industry. This would keep industry costs low and ensure consistency in bond classification. (IIAC, CIBC, RBC, Laurentian, Casgrain) With respect to the New Issue Fee: • Dealer Members need to manually source and input this data. (IIAC, CIBC, RBC, Laurentian) • Asks if IIROC is looking for the difference between the take down price from the issuer versus the distribution price to the syndicate clients, and if so, whether IIROC can extract this information from its current data. (IIAC, CIBC, RBC, Laurentian, Casgrain) For example, IIROC can subtract the price of the Dealer Member’s allocation to its sales, as the buy and sales are flagged with the primary market indicator. (Casgrain)	We note the comments and have removed these three proposed data fields in the revised proposal.
No.	Data	Description																							
...	...	...																							
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...	...	...																							
			New data fields: Dealing Representative and Recommendation Indicator																						
<table><tr><th>No.</th><th>Data</th><th>Description</th></tr><tr><td>...</td><td>...</td><td>...</td></tr><tr><td>28.</td><td>DEALING REPRESENTATIVE</td><td>Name or code of the dealing</td></tr></table>			No.	Data	Description	...	...	...	28.	DEALING REPRESENTATIVE	Name or code of the dealing	Asks IIROC to confirm if these indicators are only applicable to retail transactions, and if they are required for fee-based accounts. (IIAC, CIBC, RBC, Laurentian)	We note the comments and have removed both of these proposed data fields in the revised proposal.												
No.	Data	Description																							
...	...	...																							
28.	DEALING REPRESENTATIVE	Name or code of the dealing																							



		<u>representative (also known as advisor) where one was involved in the transaction</u>	Casgrain recommends these fields be optional for Dealer Members that do not engage in retail transactions.	
<u>29.</u>	<u>RECOMMENDATION INDICATOR</u>	<u>Special Condition Indicator to indicate when the transaction was recommended by a dealing representative</u>	Asks IIROC to explain how Surveillance will use these indicators. (IIAC, CIBC, RBC, Laurentian)	
...	...	...		
			New data field: Derivative Indicator	
<u>No.</u>	<u>Data</u>	<u>Description</u>	Recommends this indicator be optional as some Dealer Members do not conduct derivative transactions. (IIAC, RBC, Laurentian)	We note the comment and have removed this proposed data field in the revised proposal.
...	...	...		
<u>36.</u>	<u>DERIVATIVE INDICATOR</u>	<u>Special Condition Indicator to indicate whether the transaction is the result of a derivative contract exercise</u>		
...	...	...		
			New data fields for repo transactions	
Elements Specific to Repo Transactions:			More than 90 days would be required to reconfigure existing systems to populate these data fields. (IIAC, RBC, Laurentian)	We note the comment and have taken it into account when determining the implementation period. Please see Implementation Period in the section below.
<u>No.</u>	<u>Data</u>	<u>Description</u>		
...	...	...		



39.	REPO TERM	Indicates whether the Repo has fixed term or is an open term Repo. May indicate whether Repo is evergreen or extendable. Optional values	Casgrain recommends a 10 a.m. T+1 reporting timeframe as these additions to a Dealer Member’s process would increase the time needed to submit the file.	We would not propose a reporting timeframe for repo securities that differs from the timeframe for other debt securities under DMR 2800C. The Bank of Canada would require this information by the proposed shortened timeframe to assist with their financial system stability function.
...	...	...		
44.	REPO COLLATERAL SECURITY TYPE	Where the Dealer Member is aware of the collateral being used, indicates the type of identifier that was submitted for a single security (ISIN or CUSIP), or if the Repo is for multiple securities. Where the Dealer Member is not aware of the collateral being used, indicates general.		
...	...	...		
47.	TRI-PARTY REPO INDICATOR	Indicates whether the transaction is a Tri-Party Repo		
			Implementation Period	
			For proposal as currently drafted: 12-18 months. (IIAC, CIBC, RBC, Laurentian) 9-12 months. (Casgrain)	Given that the revised proposal removes six new data fields from the March 2018 Proposal, we would propose a seven-month implementation period, which would provide additional time for:



	For new data fields applicable to repo transactions: • More than 90 days. (IIAC, RBC, Laurentian) • At least 180 days. (CIBC) CIBC recommends reporting by 10 a.m. on T+1 (rather than 10 p.m. on trade date in proposal), for which there should be a 180-day implementation.	• Dealer Members to implement any changes necessary to accommodate the shortened reporting timeframe. • Dealer Members to implement changes to the repo fields. • IIROC to update its error handling procedures.
	Costs to Dealer Members	
	While it is difficult to estimate costs of implementation at this stage, costs would be material for most firms. (IIAC, RBC, Laurentian) Casgrain raises the following concerns: • Shortening reporting timeframes would result in considerable costs, including the extension of work hours. • New data fields would incur significant costs for the system's license, as well as an increase in the annual trading system's maintenance fee.	We understand that shortening the reporting timeframe may result in additional costs or other resources for some Dealer Members, however we expect some of these additional costs or impacts would be offset by: • the significantly reduced scope of requirements in the revised proposal as compared to the March 2018 Proposal • our new validation process which would only reject the line(s) with the errors rather than the entire file. We plan to have these changes in place prior to the implementation of the revised proposal.
	Other	
	Raises concerns regarding potential adverse effects to bond market functioning from publicly disseminating bond information too quickly (IIAC, RBC, Laurentian)	The purpose of the March 2018 Proposal is to enhance IIROC's surveillance capabilities. With respect to IIROC's role as the Debt Information Processor, we would publish information pursuant to the manner and timelines mandated by the CSA.⁵

⁵ [CSA Staff Notice and Request for Comment 21-323](#) – Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities, Expanded Transparency of Trades in Corporate Debt Securities and Proposed Amendments to National Instrument 21-101 Marketplace Operation and Related Companion Policy.



	Asks whether debt transaction reporting timelines will change again if settlement shortens further (IIAC, RBC, Laurentian, Casgrain)	We currently have no plans to further shorten the transaction reporting timelines.
	Casgrain asks IIROC to clarify its rationale for the March 2018 Proposal, which is being proposed only 17 months after Phase 2 implementation, which entailed the investment of a considerable amount of money and human capital.	One of the goals of the March 2018 Proposal is to align with the industry's move to a T+2 settlement cycle in Canada ⁶ , which occurred approximately three years after the finalization of the rule for transaction reporting in DMR 2800C in October 2014 ⁷ . Aligning reporting timelines with the shorter settlement cycle provides IIROC with an opportunity to detect and/or correct issues before settlement.

⁶ IIROC Notice [16-0177](#) – Rules Notice - *Amendments to facilitate the investment industry's move to T+2 settlement* (July 28, 2016).

⁷ IIROC Notice [14-0250](#) – Rules Notice – Notice of Approval – *Transaction Reporting for Debt Securities* (October 30, 2014).