

Securities legislation terms

	Advisor	Dealer
In the business of:	advising others re: investing in, buying, or selling securities	trading securities as principal or agent
Registration Categories¹	<ul style="list-style-type: none"> Portfolio Manager (discretionary or non-discretionary) Restricted Portfolio Manager (advises on a sector or industry) 	<ul style="list-style-type: none"> investment mutual fund restricted exempt market scholarship fund

NI 24-101 terms

Trade-Matching		
Party ("TMP")	Agreement ("TMA")	Statement ("TMS")
1. Registered Adviser 2. Institutional Investor 3. Registered Dealer 4. Custodian	<ul style="list-style-type: none"> TMPs' trade-matching roles & responsibilities TMPs agree to establish, maintain & enforce policies & procedures ("P&P") designed to achieve matching ASAP after a trade 	<ul style="list-style-type: none"> TMP written confirmation established, maintains & enforces P&P designed to achieve matching ASAP after a trade

NI 24-101 Matching Requirements for Registered Dealers & Registered Advisers

Registered	Cannot	UNLESS	it has P&P to:
1. Dealer	<ul style="list-style-type: none"> execute trade 		→ achieve 90% matching by the deadline
2. Adviser	<ul style="list-style-type: none"> give order to dealer to execute trade 		→ achieve 90% matching by the deadline
3. Dealer or Adviser	<ul style="list-style-type: none"> open account to execute trade 		→ encourage each TMP to enter into TMA or provide TMS

Companion Policy to NI 24-101 – Noted Items (Summarized)

1.2 (1) *Parties to institutional trade* — typically at least three parties:

- Registered Adviser **or** other *buy-side* manager acting for an institutional investor(s) in the trade
- Registered Dealer
- Custodian

1.2 (2) *Matching* — ... a Registered Adviser **or** other buy-side manager is required to report trade details and provide settlement instructions to its custodian.

1.3(5) *TMP* — An **institutional investor**, whether Canadian or foreign-based, may be a TMP. As such, **it, or its Registered Adviser** that is acting for it in processing a trade, should enter into a TMA or provide a TMS ... A **custodian** that settles a trade on behalf of an institutional investor is also a TMP and should enter into a TMA or provide a TMS.

¹ See s. 26(2) and s. 26(6) of the *Securities Act* (Ontario) and for outside of Ontario, s. 7.1(1) and s. 7.2(1) of NI 31-103.

2.3 (1) *Establishing, maintaining and enforcing policies & procedures* — (a) Under sections 3.2 and 3.4, a Registered Dealer's or Registered Adviser's P&P must be designed to encourage TMPs to (i) enter into a TMA with the Registered Dealer or Registered Adviser or (ii) provide or make available a TMS to the Registered Dealer or Registered Adviser. The purpose of the TMA or TMS is to **ensure** that all TMPs have established, maintain, and enforce appropriate P&P designed to achieve matching of a DAP/RAP² trade ASAP after the trade is executed. If the Registered Dealer or Registered Adviser is unable to obtain a TMA or TMS from a TMP, it should document its efforts in accordance with its P&P.

2.3 (4) *Monitoring and enforcement of undertakings in trade-matching documentation* — Registered Dealers and Registered Advisers should use reasonable efforts to monitor compliance with the terms or undertakings set out in the TMAs or TMSs in accordance with their P&P. Registered Dealers and Registered Advisers should also take active steps to address problems if the P&P of other TMPs appear to be inadequate and are causing delays in the matching process. Such steps might include imposing monetary incentives (e.g. penalty fees) or requesting a third-party review or assessment of the party's P&P.

Determination of appropriate policies and procedures

2.4 (1) *Best practices* — a party should consider the industry's generally adopted best practices and standards for ITP in establishing its P&P and incorporate the P&P into its regulatory compliance and risk management programs.

Standardized documentation

6.1 An SRO may require its members to use, or recommend that they use, a standardized form of TMA or TMS prepared or approved by the SRO, and may negotiate on behalf of its members with other trade-matching parties and industry associations to agree on the standardized form of TMA or TMS to be used by all relevant sectors in the industry (dealers, buy-side managers, and custodians).

² Delivery against payment/receipt against payment; see s. 1.3(4) of Companion Policy 24-101 CP *Institutional Trade Matching and Settlement*.