



Province of Saskatchewan

Registrar of Regulations	
Filed	JUN 23 2020
SR	79/2020

Minister's Order

The Minister of Justice and Attorney General, pursuant to section 7 of *The Securities Commission (Regulation Procedures) Regulations*, approves *The Securities Commission (Adoption of National Instruments) (NI 24-102) Amendment Regulations, 2020* in accordance with the attached Schedule.

Dated at the City of Regina, the 18 day of June, 2020.

Minister of Justice and Attorney General

(For administrative purposes only)

Authority:

The Securities Commission (Regulation Procedures) Regulations - section 7



Province of Saskatchewan

Commission Order

The Financial and Consumer Affairs Authority of Saskatchewan, pursuant to section 154 of *The Securities Act, 1988*, makes *The Securities Commission (Adoption of National Instruments) (N124-102) Amendment Regulations, 2020* in accordance with the attached Schedule.

Dated at the City of Regina, the 11 day of June, 2020.

Chairperson
Financial and Consumer Affairs Authority of Saskatchewan

(For administrative purposes only)

Authority: *The Securities Act, 1988* - section 154

SCHEDULE

Title

1 These regulations may be cited as *The Securities Commission (Adoption of National Instruments) (NI 24-102) Amendment Regulations, 2020*.

RRS c S-42.2 Reg 3, Part LVI amended

2(1) Part LVI of the Appendix to *The Securities Commission (Adoption of National Instruments) Regulations* is amended in the manner set forth in this section.

(2) Section 1.2 is amended:

(a) in subsection (2):

(i) in the portion preceding paragraph (a) by striking out “company if” and substituting “company if any of the following apply.”;

(ii) in subparagraph (a)(i):

(A) by striking out “fifty percent” and substituting “50%”; and

(B) by striking out “by way of security” and substituting “by way of a security interest”;

(iii) in paragraph (b) by striking out “fifty percent” and substituting “50%”; and

(iv) by striking out “or” after paragraph (b); and

(b) in subsection (3):

(i) in the portion preceding paragraph (a) by striking out “company if” and substituting “company if either of the following applies.”; and

(ii) by repealing paragraph (a) and substituting the following:

“(a) it is a controlled entity of any of the following:

(i) that other;

(ii) that other and one or more persons or companies, each of which is a controlled entity of that other;

(iii) two or more persons or companies, each of which is a controlled entity of that other.”.

APPROVED
LEGISLATIVE DRAFTING SECTION



June 2, 2020 - 2:45 p.m.

(3) Section 1.3 is repealed and the following substituted:

“1.3 Interpretation – meaning of affiliate for the purposes of the PFMI principles – For the purposes of the PFMI Principles, a person or company is considered to be an affiliate of a participant, the person or company and the participant each being subsequently referred to in this section as a ‘party’, if any of the following apply:

- (a) a party holds, otherwise than by way of a security interest only, voting securities of the other party carrying more than 20% of the votes for the election of directors of the other party;
- (b) a party holds, otherwise than by way of a security interest only, an interest in the other party that allows it to direct the management or operations of the other party;
- (c) financial information in respect of both parties is consolidated for financial reporting purposes”.

(4) Paragraph 2.1(1)(b) is repealed and the following substituted:

“(b) sufficient information to demonstrate that the applicant is

- (i) in compliance with applicable provincial and territorial securities legislation, or
- (ii) subject to and in compliance with the regulatory requirements of the foreign jurisdiction in which the applicant’s head office or principal place of business is located that are comparable to the applicable requirements under this Instrument;”.

(5) Subsection 2.1(2) is amended:

- (a) in paragraph (a) by striking out “books and records” and substituting “books, records and other documents”;**
- (b) in paragraph (b) in the portion preceding subparagraph (i) by striking out “such” and substituting “the”; and**
- (c) in subparagraph (b)(i) by striking out “books and records” and substituting “books, records and other documents”.**

(6) Subsection 2.1(3) is amended by striking out “*Submission to Jurisdiction and Appointment of Agent for Service*” and substituting “*Clearing Agency Submission to Jurisdiction and Appointment of Agent for Service of Process*”.

(7) Subsection 2.1(4) is amended by striking out “material change to the information provided in its application” and substituting “change to the information provided in its application that is material”.

(8) Subsection 2.2(1) is amended:

- (a) in the portion preceding paragraph (a) by adding “any of the following:” after “in relation to a clearing agency;” and**

(b) in paragraph (h) by striking out “recognition terms and conditions.” and substituting “terms and conditions of a decision to recognize the clearing agency under securities law”.

(9) Subsection 2.2(3) is repealed and the following substituted:

“(3) The written notice referred to in subsection (2) must include an assessment of how the significant change is consistent with the PFMI Principles applicable to the recognized clearing agency”.

(10) Subsection 2.3(1) is repealed and the following substituted:

“(1) A recognized clearing agency or exempt clearing agency that intends to cease carrying on business in the local jurisdiction as a clearing agency must file a report on Form 24-102F2 *Cessation of Operations Report for Clearing Agency* with the securities regulatory authority at least 90 days before ceasing to carry on business”.

(11) Subsection 2.5(2) is amended by adding “of the recognized clearing agency’s or exempt clearing agency’s financial year” after “each interim period”.

(12) Section 3.1 is amended:

(a) by repealing the portion preceding paragraph (a) and substituting the following:

**“A recognized clearing agency must establish, implement and maintain rules, procedures, policies or operations designed to ensure that it meets or exceeds PFMI Principles 1 to 3, 10, 13 and 15 to 23, other than key consideration 9 of PFMI Principle 20 and the following:”;
and**

(b) by striking out “and” after paragraph (b).

(13) Paragraph 4.1(2)(b) is amended by striking out “not employees or executive officers of a participant or” and substituting “neither employees nor officers of a participant nor”.

(14) Section 4.3 is amended:

(a) in subsection (1) by striking out “or, if determined by the board of directors, to the chief executive officer”;

(b) in paragraph (2)(a):

(i) by striking out “full”; and

(ii) by striking out “maintain, implement” and substituting “implement, maintain”;

(c) by striking out “,” and substituting “;” after subparagraph (3)(c)(i);

(d) by striking out “,” and substituting “;” after subparagraph (3)(c)(ii);

(e) in subparagraph (3)(c)(iii) by striking out “non-compliance, or” and substituting “non-compliance;”; and

(f) in paragraph (3)(f) by striking out “such” and substituting “the”.

(15) Section 4.4 is amended:

(a) in paragraph (4)(b) by striking out “not employees or executive officers of a participant or” and substituting “neither employees nor officers of a participant nor”; and

(b) by adding the following subsection after subsection (4):

“(5) For the purpose of this section, an individual is independent of a clearing agency if the individual has no relationship with the agency that could, in the reasonable opinion of the clearing agency’s board of directors, be expected to interfere with the exercise of the individual’s independent judgment”.

(16) Section 4.6 is amended:

(a) in paragraph (a):

(i) in subparagraph (i) by striking out “an adequate system of internal controls” and substituting “adequate internal controls”; and

(ii) in subparagraph (ii) by adding “cyber resilience and” before “information technology”;

(b) in subparagraph (b)(ii):

(i) by striking out “ability” and substituting “processing capability”; and

(ii) by striking out “process transactions” and substituting “perform”;

(c) by striking out “and” after paragraph (b);

(d) by repealing paragraph (c) and substituting the following:

“(c) promptly notify the regulator or, in Québec, the securities regulatory authority of any systems failure, malfunction, delay or security incident that is material, and provide timely updates to the regulator or, in Québec, the securities regulatory authority regarding the following:

(i) any change in the status of the failure, malfunction, delay or security incident;

(ii) the resumption of service, if applicable;

(iii) the results of any internal review, by the clearing agency, of the failure, malfunction, delay or security incident; and”; and

(e) by adding the following paragraph after paragraph (c):

“(d) keep a record of any systems failure, malfunction, delay or security incident and whether or not it is material”.

(17) The following section is added after section 4.6:

“Auxiliary systems

4.6.1 (1) In this section, ‘**auxiliary system**’ means a system, other than a system referred to in section 4.6, operated by or on behalf of a recognized clearing agency that, if breached, poses a security threat to another system operated by or on behalf of the recognized clearing agency that supports the recognized clearing agency’s clearing, settlement or depository functions.

(2) For each auxiliary system, a recognized clearing agency must

(a) develop and maintain adequate information security controls that address the security threats posed by the auxiliary system to the system that supports the clearing, settlement or depository functions,

(b) promptly notify the regulator or, in Québec, the securities regulatory authority of any security incident that is material and provide timely updates to the regulator or, in Québec, the securities regulatory authority on

(i) any change in the status of the incident,

(ii) the resumption of service, if applicable, and

(iii) the results of any internal review, by the clearing agency, of the security incident, and

(c) keep a record of any security incident and whether or not it is material”.

(18) Subsection 4.7(1) is repealed and the following substituted:

“(1) A recognized clearing agency must

(a) on a reasonably frequent basis and, in any event, at least annually, engage a qualified external auditor to conduct an independent systems review and prepare a report, in accordance with established audit standards and best industry practices, that assesses the clearing agency’s compliance with paragraphs 4.6(a) and 4.6.1(2)(a) and section 4.9, and

(b) on a reasonably frequent basis and, in any event, at least annually, engage a qualified party to perform assessments and testing to identify any security vulnerability and measure the effectiveness of information security controls that assess the clearing agency’s compliance with paragraphs 4.6(a) and 4.6.1(2)(a)”.

(19) Subsection 4.7(2) is amended in the portion preceding paragraph (a) by striking out “subsection (1)” and substituting “paragraph (1)(a)”.

(20) Paragraph 4.10(g) is amended by striking out “an appropriate” and substituting “a reasonable”.

(21) Subsection 5.1(1) is amended by striking out “and must keep those other books, records and documents as may otherwise be required under securities legislation”.

(22) Section 5.2 is amended:

(a) by repealing subsection (1) and substituting the following:

“(1) In this section, ‘**Global Legal Entity Identifier System**’ means the system for unique identification of parties to financial transactions.”;

(b) in subsection (2) by striking out “a single” and substituting “the”; and

(c) by adding the following subsection after subsection (2):

“(2.1) During the period that a clearing agency is a recognized clearing agency or is exempt from the requirement to be recognized as a clearing agency, the clearing agency must maintain and renew the legal entity identifier referred to in subsection (2)”.

(23) Subsection 6.1(3) is amended by adding “Alberta and” before “Ontario”.

(24) Form 24-102F1 is amended:

(a) in paragraph 7 by striking out “[province of local jurisdiction]” and substituting “[name of local jurisdiction]”;

(b) in paragraph 10 by striking out “be a recognized” and substituting “be recognized”; and

(c) under the heading

**“AGENT
CONSENT TO ACT AS AGENT FOR SERVICE”**

by striking out “insert” wherever it appears.

(25) Form 24-102F2 is amended:

(a) under the heading “*Exhibit B*” by striking out “ceasing business” and substituting “ceasing to carry on business”;

(b) under the heading “*Exhibit C*” by striking out “the cessation of” and substituting “ceasing to carry on”;

(c) under the heading “*Exhibit D*” by striking out “the cessation of” and substituting “ceasing to carry on”; and

(d) under the heading “CERTIFICATE OF CLEARING AGENCY”:

(i) by striking out “(Name of clearing agency)” and substituting “Name of clearing agency”;

(ii) by striking out “(Name of director, officer or partner - please type or print)” and substituting “Name of director, officer or partner (please type or print)”;

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(iii) by striking out “(Signature of director, officer or partner)” and substituting
“Signature of director, officer or partner”; and

(iv) by striking out “(Official capacity – please type or print)” and substituting
“Official capacity (please type or print)”.

Coming into force

3(1) Subject to subsection (2), these regulations come into force on June 19, 2020.

(2) If these regulations are filed with the Registrar of Regulations after June 19, 2020, these regulations come into force on the day on which they are filed with the Registrar of Regulations.