

March 7, 2002

2002-061

## APPENDIX "B"

### TEXT OF THE UNIVERSAL MARKET INTEGRITY RULES

#### PART 1 – DEFINITIONS AND INTERPRETATION

##### 1.1 Definitions

In these Rules, unless the subject matter or context otherwise requires:

**"Access Person"** means a person other than a Participant who is:

- (a) a subscriber; or
- (b) a user.

**"arbitrage account"** means an account in which the holder makes a usual practice of buying and selling:

- (a) securities in different markets to take advantage of differences in prices available in each market; or
- (b) securities which are or may become convertible or exchangeable by the terms of the securities or operation of law into other securities in order to take advantage of differences in prices between the securities.

**"best ask price"** means the lowest price of an order on any marketplace as displayed in a consolidated market display to sell a particular security, but does not include the price of any order that is a Special Terms Order.

**"best bid price"** means the highest price of an order on any marketplace as displayed in a consolidated market display to buy a particular security, but does not include the price of any order that is a Special Terms Order.

**"better price"** means, in respect of a particular security:

- (a) a price lower than the best ask price, in the case of a purchase; and
- (b) a price higher than the best bid price, in the case of a sale.

**"Board"** means the board of directors or other governing body of a Market Regulator.

**"Call Market Order"** means an order for the purchase or sale of one or more particular securities that is entered on a marketplace on a trading day to trade at a particular time or times established by the marketplace during that trading day at a price established by the trading system of the marketplace.

**“client order”** means an order for the purchase or sale of a security received or originated by a Participant for the account of a client of the Participant or a client of an affiliated entity of the Participant, but does not include a principal order or a non-client order.

**“consolidated market display”** means, in respect of a particular security:

- (a) the consolidated feed respecting orders and trades produced by an information processor in accordance with section 7.3 of the Marketplace Operation Instrument provided such consolidated feed includes details of orders and trades from the principal market; or
- (b) information regarding orders and trades on a marketplace produced by an information vendor for the purposes of the Marketplace Operation Instrument provided such information includes details of orders and trades from the principal market.

**“derivatives market maker”** means a person who performs the function ordinarily associated with a market maker or specialist on an Exchange or QTRS in connection with a derivative instrument.

**“Exchange”** means a person recognized by the applicable securities regulatory authority under securities legislation to carry on business as an exchange.

**“hearing”** means a disciplinary and enforcement proceeding commenced by a Market Regulator to determine whether a person has contravened a Requirement or is liable for the contravention of a Requirement and includes any procedural applications or motions in relation to those proceedings.

**“Hearing Committee”** means a standing committee of a Market Regulator comprised of persons selected in accordance with the Policy made under Rule 10.8.

**“Hearing Panel”** means the particular members of the Hearing Committee selected in accordance with the Policy made under Rule 10.8 to hear a particular disciplinary and enforcement proceeding.

**“hedge”** means the purchase or sale of a security by a person to offset, in whole or in part, the risk assumed on a prior purchase or sale or to be assumed on a subsequent purchase or sale of that security or a related security.

**“insider”** means a person who is an insider of an issuer for the purpose of applicable securities legislation.

**“intentional cross”** means a trade resulting from the entry by a Participant of both the order to purchase and the order to sell a security, but does not include a trade in which the Participant has entered one of the orders as a jitney order.

**“internal cross”** means an intentional cross between two client accounts of a Participant which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the clients and includes a trade where the Participant is acting as a portfolio manager in authorizing the trade between the two client accounts.

**“jitney order”** means an order entered on a marketplace by a Participant acting for or on behalf of another Participant.

**“last sale price”** means the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is a Call Market Order.

**“limit order”** means an order to:

- (a) buy a security to be executed at a specified maximum price; or
- (b) sell a security to be executed at a specified minimum price.

**“listed security”** means a security listed on an Exchange.

**“Market Operation Instrument”** means National Instrument 21-101 – Marketplace Operation as amended, supplemented and in effect from time to time.

**“market order”** means an order to:

- (a) buy a security to be executed upon entry to a marketplace at the best ask price; or
- (b) sell a security to be executed upon entry to a marketplace at the best bid price.

**“Market-on-Close Order”** means an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing at the closing price of the security on that marketplace on that trading day.

**“Market Regulator”** means:

- (a) an Exchange, unless such Exchange monitors the conduct of its members indirectly through a regulation service provider in which case, the regulation services provider;
- (b) a QTRS, unless such QTRS monitors the conduct of its users indirectly through a regulation service provider in which case, the regulation services provider; and
- (c) in respect of any other marketplace, the regulation service provider with whom that marketplace has entered an agreement in accordance with the requirements of the Trading Rules.

**“Market Integrity Official”** means an employee of a Market Regulator designated by the Market Regulator to exercise the powers of the Market Regulator under these Rules.

**“Market Maker Obligations”** means obligations imposed by Marketplace Rules on a member or user or a person employed by a member or user to guarantee:

- (a) a two-sided market for a particular security on a continuous or reasonably continuous basis; and
- (b) the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as designated by the marketplace.

**“marketplace”** means:

- (a) an Exchange;
- (b) a QTRS; and
- (c) an ATS.

**“Marketplace Rules”** means the rules, policies and other similar instruments adopted by an Exchange or a QTRS as approved by the applicable securities regulatory authority but not including any rules, policies or other similar instruments related solely to the listing of securities on an Exchange or to the quoting of securities on a QTRS.

**“non-client order”** means an order for the purchase or sale of a security received or originated by a Participant for an account:

- (a) for a partner, director, officer or a person holding a similar position or acting in a similar capacity of the Participant or of a related entity of the Participant;
- (b) for an employee of the Participant or of a related entity of the Participant who holds approval from an Exchange or a self-regulatory entity; or
- (c) which is considered to be an employee account or a non-client account by a self-regulatory entity,

but does not include a principal account.

**“net cost”** means the amount by which the sum of the total cost of the trade on the purchase of securities based on the purchase price on the marketplace and any commission charged to the client by the Participant exceeds the amount of any allowance, discount, rebate and any other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person.

**“net proceeds”** means the amount by which the sum of the total proceeds of the trade on the sale of securities based on the sale price on the marketplace and the amount of any allowance, discount, rebate and other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person exceeds any commission charged to the client by the Participant.

**“offered security”** means the security offered in a securities exchange take-over bid.

**“Opening Order”** means an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of calculating and executing at the opening price of the security on that marketplace on that trading day.

**“Participant”** means:

- (a) a dealer registered in accordance with securities legislation of any jurisdiction and who is:
  - (i) a member of an Exchange,
  - (ii) a user of a QTRS, or
  - (iii) a subscriber of an ATS; or
- (b) a person who has been granted trading access to a marketplace and who performs the functions of a derivatives market maker.

**“Policy”** means a policy statement adopted by a Market Regulator in connection with the administration or application of these Rules as such policy statement is amended, supplemented and in effect from time to time.

**“principal account”** means an account in which a Participant or a related entity of the Participant holds a direct or indirect interest other than an interest in the commission charged on a transaction.

**“principal order”** means an order for the purchase or sale of a security received or originated by a Participant for a principal account.

**“Program Trade”** means a trade resulting from a series of market orders for the purchase or sale of particular securities underlying an index that has been designated by a Market Regulator where such trade is undertaken in conjunction with a trade in a derivative the underlying interest of which is the index.

**“Protected Party”** means in respect of a Market Regulator:

- (a) the Market Regulator;
- (b) a director, officer or employee of the Market Regulator;
- (c) a member of the Hearing Committee or of a committee appointed by the Board; or
- (d) an independent contractor retained by the Market Regulator to provide services to the Market Regulator.

**“QTRS”** means a recognized quotation and trade reporting system.

**“quoted security”** means a security quoted on a QTRS.

**“Regular Session”** means the time period during a trading day when a marketplace is ordinarily open for trading, but does not include any extended or special trading facility of the marketplace.

**“Regulated Person”** means, in respect of the jurisdiction of a Market Regulator in connection with the conduct of a person:

- (a) any marketplace for which the Market Regulator is the regulation service provider or was the regulation service provider at the time of the conduct;
- (b) any Participant or Access Person of a marketplace for which the Market Regulator is the regulation service provider or was the regulation service provider at the time of the conduct;
- (c) any person to whom responsibility for compliance with the Rules by other persons are extended in accordance with Rule 10.3 or to whom responsibility had been extended at the time of the conduct; and
- (d) any person to whom the application of the Rules are extended in accordance with Rule 10.4 or to whom the Rules had been extended at the time of the conduct.

**“related entity”** means, in respect of a particular person:

- (a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and
- (b) a person who has been designated by a Market Regulator in accordance with subsection (3) of Rule 10.4 as a person who acts in conjunction with the particular person.

**“related security”** means, in respect of a particular security:

- (a) a security which is convertible or exchangeable into the particular security;
- (b) a security into which the particular security is convertible or exchangeable;
- (c) a derivative instrument for which the particular security is the underlying interest;
- (d) a derivative instrument for which the market price varies materially with the market price of the particular security; and

- (e) if the particular security is a derivative instrument, a security which is the underlying interest of the derivative instrument or a significant component of an index which is the underlying interest of the derivative instrument.

**“Requirements”** means, collectively:

- (a) these Rules;
  - (b) the Policies;
  - (c) the Trading Rules;
  - (d) the Marketplace Rules; and
  - (e) any direction, order or decision of the Market Regulator or a Market Integrity Official,
- as amended, supplemented and in effect from time to time.

**“restricted person”** means, in respect of a securities exchange take-over bid:

- (a) the Participant appointed by the offeror to be dealer-manager or manager in respect of such securities exchange take-over bid;
- (b) a related entity of the Participant;
- (c) a partner, director, officer or a person holding a similar position or acting in a similar capacity, of the Participant or of a related entity of the Participant; or
- (d) an employee of the Participant or of a related entity of the Participant.

**“Rules”** means these Universal Market Integrity Rules as amended, supplemented and in effect from time to time.

**“securities exchange take-over bid”** means a take-over bid where the consideration for the securities of the offeree is to be, in whole or in part, securities traded on a marketplace.

**“short sale”** means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

- (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;
- (b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- (c) has an option to purchase the security and has exercised the option;
- (d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or
- (e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

- (f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition; or
- (g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security.

**“significant shareholder”** means any person holding separately, or in combination with other persons, more than 20 per cent of the outstanding voting securities of an issuer.

**“Special Terms Order”** means an order for the purchase or sale of a security:

- (a) for less than a standard trading unit;
- (b) the execution of which is subject to a condition other than as to price or date of settlement; or
- (c) that on execution would be settled on a date other than:
  - (i) the third business day following the date of the trade, or
  - (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS.

**“standard trading unit”** means, in respect of:

- (a) a derivative instrument, 1 contract;
- (b) a debt security that is a listed security or a quoted security, \$1,000 in principal amount; or
- (c) any equity or similar security:
  - (i) 1,000 units of a security trading at less than \$0.10 per unit,
  - (ii) 500 units of a security trading at \$0.10 or more per unit and less than \$1.00 per unit, and
  - (iii) 100 units of a security trading at \$1.00 or more per unit.

**“trades on a when issued basis”** means purchases or sales of a security to be issued pursuant to:

- (a) a prospectus offering where a receipt for the final prospectus for the offering has been issued by the applicable securities regulatory authority but the offering has not closed and settled;
- (b) a proposed plan of arrangement, an amalgamation or a take-over bid prior to the effective date of the amalgamation or the arrangement or the expiry date of the take-over bid; or
- (c) any other transaction that is subject to the satisfaction of certain conditions,

and the trade is to be settled only if the security is issued and the trade in the security prior to the issuance would not contravene the applicable securities legislation.

**“trading day”** means a calendar day during which trades are executed on a marketplace.

**“Trading Rules”** means National Instrument 23-101 as amended, supplemented and in effect from time to time.

**“Volume-Weighted Average Price Order”** means an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing trades at an average price of the security traded on that trading day on that marketplace or on any combination of marketplaces known at the time of the entry of the order.

## 1.2 Interpretation

- (1) Unless otherwise defined or interpreted, every term used in these Rules that is:
  - (a) defined in subsection 1.1(3) of National Instrument 14-101 – Definitions has the meaning ascribed to it in that subsection;
  - (b) defined or interpreted in the Marketplace Operation Instrument has the meaning ascribed to it in that National Instrument; and
  - (c) a reference to a requirement of an Exchange or a QTRS shall have the meaning ascribed to it in the applicable Marketplace Rule.
- (2) For the purposes of these Rules, the following terms shall be as defined by applicable securities legislation except that:

**“person”** includes any corporation, incorporated association, incorporated syndicate or other incorporated organization.

**“trade”** includes a purchase or acquisition of a security for valuable consideration in addition to any sale or disposition of a security for valuable consideration.
- (3) In determining the value of an order for the purposes of Rule 6.3 and 8.1, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated by multiplying the number of units of the security to be bought or sold under the order by:
  - (a) in the case of a limit order for the purchase of a security, the lesser of:
    - (i) the specified maximum price in the order, and
    - (ii) the best ask price;
  - (b) in the case of a limit order for the sale of a security, the greater of:
    - (i) the specified minimum price in the order, and
    - (ii) the best bid price;
  - (c) in the case of a market order for the purchase of a security, the best ask price; and
  - (d) in the case of a market order for the sale of a security, the best bid price.
- (4) For the purposes of determining the “last sale price”, if a sale of at least a standard trading unit of a particular security has not been previously displayed in a consolidated market display the last sale price shall be deemed to be the price:



- (a) of the last sale of the security on an Exchange, if the security is a listed security;
  - (b) of the last sale of the security on a QTRS, if the security is a quoted security;
  - (c) at which the security has been issued or distributed to the public, if the security has not previously traded on a marketplace; and
  - (d) that has been accepted by a Market Regulator, in any other circumstance.
- (5) For the purposes of determining the price at which a security is trading for the purposes of the definition of a “standard trading unit”, the price shall be the last sale price of the particular security on the immediately preceding trading day.

## **PART 2 – MANIPULATIVE OR DECEPTIVE METHOD OF TRADING**

### **2.1 Just and Equitable Principles**

- (1) A Participant shall transact business openly and fairly and in accordance with just and equitable principles of trade when:
- (a) trading on a marketplace; or
  - (b) trading or otherwise dealing in securities which are eligible to be traded on a marketplace.
- (2) An Access Person shall transact business openly and fairly when:
- (a) trading on a marketplace; or
  - (b) trading or otherwise dealing in securities which are eligible to be traded on a marketplace.

### **2.2 Manipulative or Deceptive Method of Trading**

- (1) A Participant or Access Person shall not, directly or indirectly, use nor knowingly facilitate nor participate in the use of any manipulative or deceptive method of trading in connection with the entry of an order or orders to trade on a marketplace for the purchase or sale of any security which creates or which could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for the security or a related security.
- (2) Without limiting the generality of subsection (1), the following activities when undertaken on a marketplace constitute deceptive and manipulative methods of trading:
- (a) making a fictitious trade;
  - (b) effecting a trade in a security which involves no change in the beneficial or economic ownership;
  - (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and

- (d) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display.
- (3) Without limiting the generality of subsection (1), the following activities shall be considered deceptive and manipulative methods of trading when undertaken on a marketplace with the intention of creating a false or misleading appearance of trading activity or an artificial price for a security or a related security:
- (a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;
  - (b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;
  - (c) making purchases of, or offers to purchase, a security at successively higher prices;
  - (d) making sales of or offers to sell a security at successively lower prices;
  - (e) entering an order or orders for the purchase or sale of a security to:
    - (i) establish a predetermined price or quotation,
    - (ii) effect a high or low closing price or closing quotation, or
    - (iii) maintain the trading price, ask price or bid price within a predetermined range; and
  - (f) entering a series of orders for a security that are not intended to be executed.
- (4) A price will be considered artificial if the price is not justified by real demand or supply in a security.
- (5) For the purposes of subsection (4), a price in a security may be considered not justified by real demand or supply if:
- (a) the price is higher or lower than the previous price and the market immediately returns to the previous price following the trade; and
  - (b) the bid price is raised or the ask price is lowered by an order which, at the time of entry, is the only order at that price and the order is cancelled prior to trading.

## **PART 3 – SHORT SELLING**

### **3.1 Restrictions on Short Selling**

- (1) Except as otherwise provided, a Participant or Access Person shall not make a short sale of a security on a marketplace unless the price is at or above the last sale price.
- (2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:
  - (a) a Program Trade in accordance with Marketplace Rules;
  - (b) made in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules;
  - (c) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then available and the seller intends to accept such offer immediately;
  - (d) for the account of a derivatives market maker and is made:
    - (i) in accordance with the market making obligations of the seller in connection with the security or a related security, and
    - (ii) to hedge a pre-existing position in the security or a related security;
  - (e) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution; or
  - (f) the result of:
    - (i) a Call Market Order,
    - (ii) a Market-on-Close Order, or
    - (iii) a Volume-Weighted Average Price Order.

## **PART 4 - FRONTRUNNING**

### **4.1 Frontrunning**

- (1) A Participant with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order,
  - (a) enter a principal order or a non-client order on a marketplace, stock exchange or market, including any over-the-counter market, for the purchase or sale of the security or any related security;
  - (b) solicit an order from any other person for the purchase or sale of the security or any related security; or
  - (c) inform any other person, other than in the necessary course of business, of the client order.

- (2) A Participant does not contravene subsection (1) if:
- (a) no director, officer, partner, employee or agent of the Participant who made or participated in making the decision to enter a principal order or non-client order or to solicit an order had actual knowledge of the client order;
  - (b) an order is entered or trade made for the benefit of the client for whose account the order is to be made;
  - (c) an order is solicited to facilitate the trade of the client order;
  - (d) a principal order is entered to hedge a position that the Participant had assumed or agreed to assume before having actual knowledge of the client order provided the hedge is:
    - (i) commensurate with the risk assumed by the Participant, and
    - (ii) entered into in accordance with the ordinary practice of the Participant when assuming or agreeing to assume a position in the security;
  - (e) a principal order is made to fulfil a legally binding obligation entered into by the Participant before having actual knowledge of the client order; or
  - (f) the order is entered for an arbitrage account.

## **PART 5 – BEST EXECUTION OBLIGATION**

### **5.1 Best Execution of Client Orders**

A Participant shall diligently pursue the execution of each client order on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

### **5.2 Best Price Obligation**

- (1) A Participant shall make reasonable efforts prior to the execution of a client order to ensure that:
- (a) in the case of an offer by the client, the order is executed at the best bid price; and
  - (b) in the case of a bid by the client, the order is executed at the best ask price.
- (2) Subsection (1) does not apply to the execution of an order which is:
- (a) required or permitted by a Market Regulator pursuant to clause (b) of Rule 6.4 to be executed other than on a marketplace in order to maintain a fair or orderly market;
  - (b) a Special Terms Order unless:
    - (i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS governing the trading of a Special Terms Order provide otherwise, or

- (ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display; or
- (c) directed or consented to by the client to be entered on a marketplace as:
  - (i) a Call Market Order,
  - (ii) a Volume-Weighted Average Price Order,
  - (iii) a Market-on-Close Order, or
  - (iv) an Opening Order.
- (3) For the purposes of subsection (1), the Participant may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed in accordance with Marketplace Operation Instrument.

### **5.3 Client Priority**

- (1) A Participant shall give priority to its client orders over all of its non-client or principal orders in the same security and on the same side of the market, unless the non-client or principal order is executed at a price above the client's limit price (for a buy order) or below the client's limit price (for a sell order).
- (2) A Participant shall give priority to its client market orders over its non-client or principal orders in the same security and on the same side of the market.
- (3) Subsections (1) and (2) shall not apply to allocations made by a trading system of a marketplace, provided that any client orders of the Participant were entered immediately upon receipt by the Participant and were not subsequently changed or removed from the system (other than changes or removals made on the instruction of the client).
- (4) Subsections (1) and (2) shall not apply to client orders where the client has specifically given the Participant discretion with respect to execution of an order or where the Participant is making a *bona fide* attempt to obtain best execution for a client order, provided that no director, officer, partner, employee or agent of the Participant with knowledge of open client orders for a security that have not been fully executed enters a non-client or principal order on the same side of the market in such security.
- (5) Subsections (1) and (2) shall not apply with respect to a particular client order where the client has specifically consented to the Participant trading ahead or alongside that order.
- (6) The Participant shall record the specific consent referred to in subsection (5) on the order ticket.
- (7) The exemptions in subsections (3), (4) and (5) shall not apply unless the Participant has implemented a reasonable system of internal policies and procedures to ensure compliance with this Rule and to prevent misuse of information about client orders.

## **PART 6 – ORDER ENTRY AND EXPOSURE**

### **6.1 Entry of Orders to a Marketplace**

- (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of a cent other than an increment of one-half of one cent.
- (2) Each order to purchase or sell a listed security or a quoted security entered to trade on a marketplace shall be subject to any special rule or direction issued by the Exchange on which the security is listed or by the QTRS on which the security is quoted with respect to:
  - (a) clearing and settlement; and
  - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.

### **6.2 Designations and Identifiers**

- (1) Each order entered on a marketplace shall contain:
  - (a) the identifier of:
    - (i) the Participant or Access Person entering the order as assigned to the Participant or Access Person in accordance with Rule 10.15,
    - (ii) the marketplace on which the order is entered as assigned to the marketplace in accordance with Rule 10.15, and
    - (iii) the Participant for or on behalf of whom the order is entered, if the order is a jitney order; and
  - (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:
    - (i) a Call Market Order,
    - (ii) an Opening Order,
    - (iii) a Market-on-Close Order,
    - (iv) a Special Terms Order,
    - (v) a Volume-Weighted Average Price Order,
    - (vi) part of a Program Trade,
    - (vii) part of an intentional cross or internal cross,
    - (viii) a short sale which is subject to the price restriction under subsection (1) of Rule 3.1,

- (ix) a short sale which is exempt from the price restriction on a short sale in accordance with subsection (2) of Rule 3.1,
  - (x) a non-client order,
  - (xi) a principal order,
  - (xii) a jitney order,
  - (xiii) for the account of a derivatives market maker,
  - (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order,
  - (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or
  - (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.
- (2) If the order entered on a marketplace is a Special Terms Order, the order shall contain, in addition to all designations and identifiers required by subsection (1), information in such form as is acceptable to the Market Regulator of the marketplace on which the order is entered respecting:
- (a) any condition on the execution of the order; and
  - (b) the settlement date.
- (3) If following the entry of an order on a marketplace for the sale of security that has not been designated as a short sale such order would become a short sale on execution, the order shall be modified to include the short sale designation required by subsection (1).
- (4) Each order entered on a marketplace including all designations and identifiers required by subsection (1) shall be disclosed to each Market Regulator.
- (5) The marketplace on which the order is entered shall determine if the identifier of the Participant or the marketplace shall be displayed in a consolidated market display.
- (6) Unless otherwise permitted or directed by the Market Regulator, a marketplace shall:
- (a) disclose for display in a consolidated market display any designation attached to an order that is required by subclause (i) to (vii) inclusive of clause (1)(b); and
  - (b) not disclose for display in a consolidated market display any designation attached to an order that is required by subclause (viii) to (xvi) inclusive of clause (1)(b).

### 6.3 Exposure of Client Orders

- (1) A Participant shall immediately enter on a marketplace a client order to purchase or sell 50 standard trading units or less of a security unless:
  - (a) the client has specifically instructed the Participant to deal otherwise with the particular order;
  - (b) the Participant executes the order upon receipt at a better price;
  - (c) the Participant returns the order for confirmation of the terms of the order;
  - (d) the Participant withholds the order pending confirmation that the order complies with applicable securities requirements or, if applicable, the Marketplace Rules of any Exchange on which the security is listed or of any QTRS on which the security is quoted;
  - (e) the Participant determines based on market conditions that entering the order would not be in the best interests of the client;
  - (f) the order has a value of more than \$100,000;
  - (g) the order is part of a trade to be made in accordance with Rule 6.4 by means other than entry on a marketplace; or
  - (h) the client has directed or consented to the order being entered on a marketplace as:
    - (i) a Call Market Order,
    - (ii) an Opening Order,
    - (iii) a Special Terms Order,
    - (iv) a Volume-Weighted Average Price Order, or
    - (v) a Market-on-Close Order.
- (2) If a Participant withholds a client order from entry based on market conditions in accordance with clause (1)(e), the Participant may enter the order in parts over a period of time or adjust the terms of the order prior to entry but the Participant must guarantee that the client receives:
  - (a) a price at least as good as the price the client would have received if the client order had been executed on receipt by the Participant; and
  - (b) if the Participant executes the client order against a principal order or non-client order, a better price than the price the client would have received if the client order had been executed on receipt by the Participant.



## 6.4 Trades to be on a Marketplace

A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is:

- (a) **Unlisted or Non-Quoted Security** - in a security which is not a listed security or a quoted security;
- (b) **Regulatory Exemption** – required or permitted by a Market Regulator to be executed other than on a marketplace in order to maintain a fair or orderly market and provided, in the case of a listed security or quoted security, the Market Regulator requiring or permitting the order to be executed other than on a marketplace shall be the Market Regulator of the Exchange on which the security is listed or of the QTRS on which the security is quoted;
- (c) **Error Adjustment** - to adjust by a journal entry an error in connection with a client order;
- (d) **On Another Market** – on another exchange or organized regulated market that publicly disseminates details of trades in that market;
- (e) **Outside of Canada** – as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts provided such trade is reported to a marketplace or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market;
- (f) **Term of Securities** – as a result of a redemption, retraction, exchange or conversion of a security in accordance with the terms attaching to the security;
- (g) **Options** – as a result of the exercise of an option, right, warrant or similar pre-existing contractual arrangement; or
- (h) **Prospectus and Exempt Distributions** – pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer.

## PART 7 – TRADING IN A MARKETPLACE

### 7.1 Trading Supervision Obligations

- (1) Each Participant shall adopt written policies and procedures to be followed by directors, officers, partners and employees of the Participant that are adequate, taking into account the business and affairs of the Participant, to ensure compliance with these Rules and each Policy.
- (2) Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with:
  - (a) applicable regulatory standards with respect to the review and approval of orders;
  - (b) the policies and procedures adopted in accordance with subsection (1); and
  - (c) all requirements of these Rules and each Policy.

- (3) Each Participant shall appoint a head of trading who shall be responsible to supervise the trading activities of the Participant in a marketplace.
- (4) The head of trading together with each person who has authority or supervision over or responsibility to the Participant for an employee of the Participant shall fully and properly supervise such employee as necessary to ensure the compliance of the employee with these Rules and each Policy.

## **7.2 Proficiency Obligations**

- (1) No order to purchase or sell a security shall be entered by a Participant on a marketplace unless the Participant or the director, officer, partner or employee of the Participant entering the order or responsible for the order has:
  - (a) completed the Trader Training Course of the Canadian Securities Institute or such course, examination or other means of demonstrating proficiency in these Rules and Policies as may be acceptable to the Market Regulator of the marketplace on which the order is entered or the applicable securities regulatory authority; or
  - (b) received approval of an Exchange or QTRS for the entry of orders to the trading system of that Exchange or QTRS.
- (2) A marketplace shall ensure that each Access Person with access to that marketplace is trained in such of these Rules and Policies as may be applicable to an Access Person.

## **7.3 Liability for Bids, Offers and Trades**

- (1) All bids and offers for securities made and accepted on a marketplace shall be binding and all contracts thereby effected shall be subject to the exercise by the marketplace on which the trade is executed of the powers vested in the marketplace and the Market Regulator of that marketplace.
- (2) A Participant shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of a marketplace and that originate from any terminal or computer system allowing access to trading on the marketplace that is operated by or is under the control of that Participant whether or not the Participant has authorized the entry of the order.
- (3) Subject to the obligation of an Access Person for compliance with applicable Rules and Policies, an ATS shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of the ATS and that originate from any terminal or computer system allowing access to trading on the ATS that is operated by or is under the control of the Access Person of that ATS whether or not the Access Person has authorized the entry of the order.

## **7.4 Contract Record and Official Transaction Record**

- (1) The electronic record of a trade in a security as provided by a marketplace to an information processor or an information vendor in accordance with the Marketplace Operation Instrument is the official transaction record for the purpose of determining:
  - (a) best ask price;
  - (b) best bid price; and

- (c) last sale price.
- (2) Despite subsection (1), the electronic record of a trade in a security as maintained by the marketplace on which the trade occurred shall be the record of the contract made on that trade and in the event of a dispute between parties to the contract or discrepancy with the records of the clearing agency effect shall be given to the record of the marketplace.
- (3) Each marketplace shall provide to the information processor or information vendor information respecting each cancellation, variation or correction of a trade as soon as practicable after the cancellation, variation or correction has been made to the record of the contract as maintained by the marketplace and the information processor or information vendor shall amend the transaction record accordingly.

## **7.5 Recorded Prices**

- (1) No Participant acting as agent shall execute a transaction through a marketplace in which the price recorded on the marketplace is:
  - (a) in the case of a purchase by a client, higher than the net cost to the client; or
  - (b) in the case of a sale by a client, lower than the net proceeds to the client.
- (2) No Participant acting as principal shall execute a transaction through a marketplace in which the price recorded on the marketplace is:
  - (a) in the case of a sale to a client, lower than the net cost to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size; and
  - (b) in the case of a purchase from a client, higher than the net proceeds to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size.

## **7.6 Cancelled Trades**

If a trade is cancelled, a subsequent trade on any marketplace which was:

- (a) executed as a result of the price of the cancelled trade; or
- (b) permitted only as a result of the price of the cancelled trade,

shall stand unless cancelled by the consent of the buyer and the seller or by a Market Integrity Official who is of the opinion that the cancellation of the subsequent trade is appropriate under the circumstances.

## **7.7 Restrictions on Trading by a Participant Involved in a Distribution**

### **(1) Definitions**

In this Rule:

**"basket trade"** means a simultaneous purchase of at least 20 listed or quoted securities with a total value of at least \$10,000,000, provided that the distributed security (or an

underlying or convertible security) comprises less than 10% of the total size and value of the transaction.

**"convertible security"** means a security that is convertible, exercisable or exchangeable into a distributed security and excludes an option.

**"distribution"** means a distribution of any security pursuant to a prospectus or a wide distribution in accordance with the applicable Marketplace Rules.

**"distributed security"** means a security of the class that is the subject of the distribution.

**"independent bid"** means a bid entered on a marketplace by or on behalf of a Participant or a client of a Participant that is not involved in the distribution.

**"independent trade"** means a trade made by or on behalf of a person who is not involved in the distribution.

**"maximum permitted stabilization price"** means the maximum price at which a Participant or person subject to subsection (3) may bid for or purchase securities that are the subject of a distribution (or are convertible securities or underlying securities) and in the case of:

- (a) a distribution of a listed or quoted security, the maximum permitted stabilization price for bids or purchases of that security is the distribution price; and
- (b) any distribution, the maximum permitted stabilization price for bids or purchases of a listed convertible security or a listed or quoted underlying security is the highest independent bid price on a marketplace for those securities at the beginning of the distribution as defined in subsection (2).

**"underlying security"** means a security into which a distributed security is convertible, exercisable or exchangeable, and includes a security with substantially the same characteristics as a distributed security or another underlying security.

## (2) **Involvement of a Participant in a Distribution**

A Participant shall be deemed to be involved in the distribution of a security as of the later of:

- (a) two trading days prior to the day on which the offering price of the securities to be distributed is determined; and
- (b) the date on which the Participant enters into an underwriting agreement or reaches an understanding to participate in the distribution of securities whether or not the terms and conditions of such participation have been agreed upon.

## (3) **Deemed Continuation of Distribution**

The Participant shall be deemed to continue to be involved in the distribution until the earlier of:

- (a) the date on which it has sold all of the securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and

- (b) the date on which the distribution has been terminated by the Participant pursuant to applicable securities legislation or Marketplace Rules.

**(4) Deemed Involvement**

Notwithstanding that the Participant has sold all of the securities allotted to it and is no longer subject to subsection (5) by virtue of clause (3)(b), if purchasers of 5% or more of the securities allotted to or acquired by that Participant in connection with the distribution give notice that they intend to exercise their statutory rights of withdrawal, that Participant shall be deemed to be involved again in the distribution and subject to the provisions of subsection (5) from that time until the earlier of:

- (a) the date on which it has sold all of the securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and
- (b) the date on which the distribution has been terminated by the Participant pursuant to applicable securities legislation or applicable Marketplace Rules.

**(5) Prohibited Trading**

Except as provided in this section, a Participant, while involved in a distribution, shall not bid for nor purchase the distributed security (or a convertible or underlying security) for its own account, nor solicit purchase orders from clients for a distributed security (or a convertible or underlying security).

**(6) Application of Prohibitions**

This section applies to all bids for or purchases of distributed securities, convertible securities or underlying securities that are listed securities or quoted securities, including bids and purchases not made on the Exchange or QTRS on which the securities are listed or quoted.

**(7) Exceptions for Convertible Securities**

This section does not apply to bids for or purchases of convertible securities where:

- (a) the convertible security is not immediately convertible, exercisable or exchangeable into the distributed security;
- (b) the conversion, exercise or exchange price is at least 110% of the ask price on the distributed security at the time the distribution begins; or
- (c) the convertible security is convertible, exercisable or exchangeable into securities of more than one issuer.

**(8) Exceptions for Underlying Securities**

This section does not apply to bids for or purchases of underlying securities where:

- (a) the distributed security is not immediately convertible, exercisable or exchangeable into the underlying security;
- (b) the conversion, exercise or exchange price is at least 110% of the best ask price of the underlying security at the time the distribution begins; or

- (c) the distributed security is convertible, exercisable or exchangeable into securities of more than one issuer.

**(9) Application to Members of Selling Group**

This section shall not apply to a Participant that is involved in a distribution only as a participant in a firm commitment underwriting that has agreed to sell part of a distribution but that is not obligated to purchase any unsold shares.

**(10) Permitted Transactions**

The following transactions by or on behalf of a Participant involved in a distribution, other than an at-the-market offering as permitted by National Instrument 44-101 do not constitute a manipulative or deceptive method of trading:

- (a) bids for or purchases of a security for the account of a Participant involved in the distribution, where:
  - (i) the Participant is short the security, or
  - (ii) in the event that the Participant is not short the security, the bid or purchase is below the last sale price of the security or at such price if such price is below the last preceding different-priced trade of a standard trading unit on a marketplace as displayed in a consolidated market display,
  - (iii) provided that the bid or purchase (as the case may be) is not made at a price that is higher than the maximum permitted stabilization price, except for those transactions by a person with Market Maker Obligations or a derivative market maker as permitted by this section;
- (b) agency transactions arising from unsolicited orders of a client for the purchase of the security, where such client is not involved in the distribution; or
- (c) basket trades made to facilitate an unsolicited sell order from a client, provided that the distributed security (or convertible or underlying security, as the case may be) is purchased at the lower of the best bid price at the time of the trade and the price of the last trade of a standard trading unit of the security as displayed in a consolidated market display.

**(11) Initial Stabilizing Bid**

The following transactions by or on behalf of a Participant involved in a distribution do not constitute a manipulative or deceptive method of trading:

- (a) a bid or purchase by or on behalf of a Participant involved in a distribution, where:
  - (i) the bid or purchase (as the case may be) is the first bid or purchase made on a marketplace since the security was posted for trading on an Exchange or QTRS, and
  - (ii) the bid or purchase (as the case may be) is made at a price that is not greater than the price of the last independent trade of a standard trading

unit on an exchange or organized regulated market that publicly disseminates details of trade in that market,

provided that the bid or purchase (as the case may be) is not made at a price that is higher than the maximum permitted stabilization price; or

- (b) agency transactions arising from unsolicited orders of a client for the purchase of the security, where such client is not involved in the distribution.

**(12) Limitations on Exemptions**

The exemptions for transactions by a derivative market maker or a person with Market Maker Obligations do not apply to initial stabilizing bids or purchases.

**(13) Transactions by a Person with Market Maker Obligations**

The following transactions in a listed security or quoted security do not constitute a manipulative or deceptive method of trading when made by the person with Market Maker Obligations for that security in their account while the Participant is involved in a distribution:

- (a) purchases of an opening imbalance that is required to be purchased under applicable Marketplace Rules, provided that:
  - (i) the person with Market Maker Obligations shall not open the security at a price that is higher than the calculated opening price on that marketplace unless the prior approval of a Market Integrity Official is obtained, and
  - (ii) the person with Market Maker Obligations shall not enter any orders for their account or for their Participant's account prior to the opening or trading other than an order required to fill the imbalance;
- (b) purchases of sell orders pursuant to the Market Maker Obligations in accordance with the applicable Marketplace Rules;
- (c) bids for, or purchases of a security that is also traded on another market for the purpose of matching a higher-priced bid posted on such a market, provided that the bid may not be for a quantity greater than the highest independent bid on that market or the number of units of the security guaranteed pursuant to the Market Maker Obligations;
- (d) bids for, or purchases of, a security that is convertible or exchangeable into another listed security or quoted security for the purpose of maintaining an appropriate conversion or exchange ratio; or
- (e) bids for, or purchases of, a security to cover a short position resulting from sales made under Market Maker Obligations.

**(14) Transactions by the Derivatives Market Maker**

A derivatives market maker whose firm is involved in a distribution may, for their derivatives market maker account, bid for or purchase a security:

- (a) the security is the underlying security of the option for which the person is the market maker or specialist;

- (b) there is not otherwise a suitable derivative hedge available; and
- (c) such bid or purchase is for the purpose of hedging a pre-existing options position, is reasonably contemporaneous with the options trading and is consistent with normal market making practice.

#### **7.8 Restrictions on Trading During a Securities Exchange Take-over Bid**

- (1) A restricted person shall not bid for nor purchase the offered security at any time from the first public announcement of a securities exchange take-over bid until the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the bid is withdrawn.
- (2) Despite subsection (1), a restricted person may bid for or purchase the offered security as agent for an unsolicited client order provided the client is not:
  - (a) the offeror;
  - (b) an insider of the offeror; or
  - (c) an associate or affiliated entity of the offeror.

#### **7.9 Trading in Listed or Quoted Securities by a Derivatives Market Maker**

A Participant who is a derivatives market maker shall comply when trading on any marketplace with such additional requirements as may be required by:

- (a) an Exchange when trading on that Exchange in listed securities; and
- (b) a QTRS when trading on that QTRS in quoted securities.

### **PART 8 – PRINCIPAL TRADING**

#### **8.1 Client-Principal Trading**

- (1) A Participant that receives a client order for 50 standard trading units or less of a security with a value of \$100,000 or less may execute the client order against a principal order or non-client order at a better price provided the Participant has taken reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market at that time.
- (2) Subsection (1) does not apply if the client has directed or consented that the client order be:
  - (a) a Call Market Order;
  - (b) an Opening Order;
  - (c) a Market-on-Close Order; or



- (d) a Volume-Weighted Average Price Order.

## **PART 9 – TRADING HALTS, DELAYS AND SUSPENSIONS**

### **9.1 Regulatory Halts, Delays and Suspensions of Trading**

- (1) **Regulatory Halts and Suspensions** - No order for the purchase or sale of a security shall be entered on a marketplace or executed on a marketplace or over-the-counter, at any time while:
  - (a) an order of a securities regulatory authority to cease trading in the security remains in effect;
  - (b) in the case of a listed security, the Market Regulator of the Exchange on which the security is listed has halted or suspended trading in the security while such halt or suspension remains in effect;
  - (c) in the case of a quoted security, the Market Regulator of the QTRS has halted or suspended trading in the security while such halt or suspension remains in effect; and
  - (d) in the case of any security other than a listed security or a quoted security, a Market Regulator of an ATS on which such security may trade has halted trading for the purposes of the public dissemination of material information respecting such security or the issuer of such security.
- (2) **Regulatory Delay** - No order for the purchase or sale of a security shall be executed on a marketplace or over-the-counter, at any time while:
  - (a) in the case of a listed security, the Market Regulator of the Exchange on which the security is listed has delayed trading in the security while such delay remains in effect; and
  - (b) in the case of a quoted security, the Market Regulator of the QTRS has delayed trading in the security while such delay remains in effect.
- (3) **Exceptions for Non-Regulatory Purposes** - Despite subsections (1) and (2), an order may be entered on a marketplace or an order may trade on a marketplace, if the Exchange or QTRS has:
  - (a) suspended trading in the security by reason only that the issuer of the security has:
    - (i) ceased to meet listing or quotation requirements established by the Exchange or QTRS, or
    - (ii) failed to pay to the Exchange or QTRS any fees in respect of the listing or quotation of securities of the issuer; or
  - (b) delayed or halted trading in the security as a result of:
    - (i) technical problems affecting only the trading system of the Exchange or QTRS, or

- (ii) the application of a Marketplace Rule.
- (4) **Trading Outside Canada During Regulatory Halts, Delays and Suspensions** - If trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d) or subsection (2), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an exchange or organized regulated market that publicly disseminates details of trades in that market.

## **PART 10 – COMPLIANCE**

### **10.1 Compliance Requirement**

- (1) Each Participant and Access Person shall comply with applicable Requirements.
- (2) For the purposes of subsection (1), a Participant or Access Person shall, with respect to a particular order, comply with the Marketplace Rules of:
  - (a) the marketplace on which the particular order is entered; and
  - (b) the marketplace on which the particular order is executed.
- (3) Each marketplace shall comply with the applicable Requirements, the Market Operation Instrument and any other applicable securities regulatory requirements.
- (4) The Market Regulator shall promptly report to the applicable securities regulatory authorities, if the Market Regulator believes that a marketplace has failed to comply with the requirements of subsection (3) or has otherwise engaged in misconduct or apparent misconduct.

### **10.2 Investigations**

- (1) The Market Regulator may, at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct of a Regulated Person other than an Exchange or QTRS.
- (2) Upon the request of the Market Regulator, any Regulated Person shall forthwith:
  - (a) provide any information or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation and such information or records shall be provided in such manner and form, including electronically, as may be required by the Market Regulator;
  - (b) allow the inspection of, and permit copies to be taken of, any information or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation; and
  - (c) provide a statement, in such form and manner and at a time and place specified by the Market Regulator on such issues as the Market Regulator determines may be relevant to a matter under investigation provided that in the case of a person other than an individual, the statement shall be made by an appropriate officer, director, partner or employee or other individual associated with the person as is acceptable to the Market Regulator.

- (3) For the purposes of subsection (2), the Market Regulator may specify that a statement be given in writing or by an electronic recorded means and that any statement be given under oath.

### **10.3 Extension of Responsibility**

- (1) A Participant or Access Person may be found liable by the Market Regulator for the conduct of any director, officer, partner, employee or individual holding a similar position with the Participant or Access Person and be subject to any penalty or remedy as if the Participant or Access Person had engaged in that conduct.
- (2) Any partner or director of a Participant or Access Person may be found liable by the Market Regulator for the conduct of the Participant or Access Person and be subject to any penalty or remedy as if such person had engaged in that conduct.
- (3) Any officer or employee of a Participant or Access Person who has authority over, supervises or is responsible for an employee may be found liable by the Market Regulator for the conduct of the supervised employee and be subject to any penalty or remedy as if such person had engaged in that conduct.
- (4) The imposition of any penalty or remedy against any person who engaged in conduct that contravened a Requirement or against any person to whom responsibility for the conduct has been extended by this section does not prevent or limit in any manner the imposition by the Market Regulator of any penalty or remedy against any other person who engaged in the conduct or to whom responsibility for the conduct has been extended by this section.

### **10.4 Extension of Restrictions**

- (1) A related entity of a Participant and a director, officer, partner or employee of the Participant or a related entity of the Participant shall:
  - (a) comply with the provisions of these Rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading, short sales and frontrunning as if references to "Participant" in Rules 2.1, 2.2, 3.1 and 4.1 included reference to such person; and
  - (b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to penalties and remedies set out in this Part.
- (2) A related entity of an Access Person and a director, officer, partner or employee of the Access Person or a related entity of the Access Person shall in respect of trading on a marketplace on behalf of the Access Person or related entity of the Access Person:
  - (a) comply with the provisions of these rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading and short sales as if references to "Access Person" in Rules 2.1, 2.2 and 3.1 included reference to such person; and

- (b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to the penalties and remedies set out in this Part.
- (3) If, in the opinion of a Market Regulator, a particular person to whom these Rules apply, including any particular person to whom these Rules have been extended in accordance with subsection (1) and (2), has organized their business and affairs for the purpose of avoiding the application of any provision of these Rules, the Market Regulator may designate any person involved in such business and affairs as a person acting in conjunction with the particular person.
- (4) Upon a Market Regulator making a designation in accordance with subsection (3), the Market Regulator shall provide notice of such designation to:
  - (a) the particular person;
  - (b) the designated person;
  - (c) each Market Regulator; and
  - (d) each applicable securities regulatory authority.

#### **10.5 Powers and Remedies**

- (1) The Market Regulator may, following a hearing and a determination that a Regulated Person, other than a marketplace for which the Market Regulator is or was the regulation services provider, has contravened a Requirement or is liable for the contravention of a Requirement in accordance with Rule 10.3, by an order impose on such person one or more of the following penalties or remedies as the Market Regulator considers appropriate in the circumstances:
  - (a) a reprimand;
  - (b) a fine not to exceed the greater of:
    - (i) \$1,000,000, and
    - (ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the contravention;
  - (c) the restriction of access to the marketplace for such period and upon such terms and conditions, if any, considered appropriate;
  - (d) the suspension of access to the marketplace for such period and upon such terms and conditions, if any, considered appropriate;
  - (e) the revocation of access to the marketplace; and
  - (f) any other remedy determined to be appropriate under the circumstances.
- (2) If the Market Regulator has determined that a Regulated Person, other than a marketplace for which the Market Regulator is or was the regulation services provider, has engaged in, or may engage in, any course of conduct that is or may be a contravention of a Requirement, the Market Regulator may, if the Market Regulator considers it is necessary for the protection of the public interest by an interim order without notice or hearing, order the restriction or suspension of access to the marketplace upon such terms and conditions,

if any, considered appropriate provided such interim order shall expire 15 days after the date on which the interim order is made unless:

- (a) a hearing is commenced within that period of time to confirm or set aside the interim order;
  - (b) the person against which the interim order is made consents to an extension of the interim order until a hearing of the matter is held; or
  - (c) an applicable securities regulatory authority directs that the interim order be rescinded or extended.
- (3) For the purposes of this section, the restriction, suspension or revocation of access of a person to a marketplace may be imposed directly on the person and, if the person is an individual, the restriction, suspension or revocation of access may also be imposed in respect of their capacity as a director, officer, partner, employee or associate of a person with access to a marketplace.
- (4) For greater certainty, any enforcement or disciplinary proceeding or any order or interim order as against a person by a Market Regulator for contravention of a Requirement shall not affect or limit any enforcement or disciplinary action as against the person by any securities regulatory authority, self-regulatory entity or other Market Regulator with jurisdiction over the person.
- (5) If a Market Regulator restricts, suspends or revokes the access of any person to a marketplace in accordance with this section, such person shall be denied access to any other marketplace and shall have any access to any other marketplace automatically restricted, suspended or revoked unless the applicable securities regulatory authority otherwise determines in a review or appeal of the order or interim order of the Market Regulator undertaken in accordance with Rule 11.3.
- (6) If a Market Regulator restricts, suspends or revokes the access of any person to a marketplace, the Market Regulator shall provide notice forthwith of such restriction, suspension or revocation to:
- (a) the person whose access has been restricted, suspended or revoked;
  - (b) each marketplace;
  - (c) each Market Regulator; and
  - (d) each applicable securities regulatory authority.

## **10.6 Exercise of Authority**

- (1) A Hearing Panel shall make any determination, hold any hearing and make any order or interim order required or permitted of a Market Regulator under this Part.
- (2) A member of the Hearing Committee shall not be a member of any Hearing Panel with respect to any matter if the member:

- (a) is an officer, partner, director, employee or an associate of any person that is a subject of the hearing, order or interim order; and
- (b) has such other relationship to the person or matter as may be reasonably considered to give rise to a potential conflict of interest.

## **10.7 Assessment of Expenses**

- (1) Any order made under this Part may assess the person against whom the order is made any one or more of the following expenses incurred by the Market Regulator as a result of the investigation and the proceedings resulting in the order:
  - (a) recording or transcription fees;
  - (b) expenses of preparing transcripts;
  - (c) witness fees and reasonable expenses of witnesses;
  - (d) professional fees for services rendered by expert witnesses, legal counsel or accountants retained by the Market Regulator;
  - (e) expenses of staff time incurred by the Market Regulator;
  - (f) travel costs;
  - (g) disbursements; or
  - (h) any other expenses determined to be appropriate under the circumstances.
- (2) Where the Market Regulator conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a Regulated Person and the Market Regulator determines that the complaint or other communication in the nature of a complaint was frivolous, the Market Regulator may assess the expenses incurred by the Market Regulator as a result of the investigation against that person.

## **10.8 Practice and Procedure**

The practice and procedure governing hearings pursuant to this Part shall be made by a Policy.

## **10.9 Power of Market Integrity Officials**

- (1) A Market Integrity Official may, in governing trading in securities on the marketplace:
  - (a) delay, halt or suspend trading in a security at any time and for such period of time as such Market Integrity Official may consider appropriate in the interest of a fair and orderly market;
  - (b) refuse to allow any bid price or ask price to be recorded at any time if, in the opinion of such Market Integrity Official, such quotation is unreasonable or not in compliance with these Rules or any Policy;

- (c) settle any dispute arising from trading in securities on the marketplace where such authority is not otherwise provided for in any requirement governing trading on the marketplace;
  - (d) disallow or cancel any trade which, in the opinion of such Market Integrity Official, is unreasonable or not in compliance with these Rules or any Policy;
  - (e) vary or cancel any trade upon application of the buyer and seller provided such application has been made by the end of trading on the day following the day on which the trade was made or such earlier time as may be established in any Marketplace Rule of the marketplace on which the trade was executed;
  - (f) in respect of any trade which has not complied with the requirements of Part 5, correct the price of the trade to a price at which the trade would have complied with such requirement, or
  - (g) require the Participant to satisfy the better bid or offer up to the volume of the trade which failed to comply with the requirements of Part 5;
  - (h) provide to any person an interpretation of any provision of these Rules and any Policy in accordance with the purpose and intent of provision and shall ensure that any such interpretation is observed by such person;
  - (i) exercise such powers as are specifically granted to a Market Regulator or Market Integrity Official by these Rules and any Policy; and
  - (j) exercise such powers as are specifically granted to the Market Regulator by the marketplace where the marketplace is entitled to grant such powers.
- (2) In determining whether any quotation or trade in a security is unreasonable, the Market Regulator shall consider:
- (a) prevailing market conditions;
  - (b) the last sale price of the security as displayed in a consolidated market display;
  - (c) patterns of trading in the security on the marketplace including volatility, volume and number of transactions;
  - (d) whether material information concerning the security is in the process of being disseminated to the public; and
  - (e) the extent of the interest of the person for whose account the order is entered in changing the price or quotation for the security.

#### **10.10 Report of Short Positions**

- (1) A Participant shall calculate, as of 15th day and as of the last day of each calendar month, the aggregate short position of each individual account in respect of each listed security and quoted security.
- (2) Unless a Participant maintains the account in which an Access Person has the short position in respect of a listed security or quoted security, the Access Person shall calculate,

as of the 15th day and as of the last day of each calendar month, the aggregate short position of the Access Person in respect of each listed security and quoted security.

- (3) Unless otherwise provided, each Participant and Access Person required to file a report in accordance with subsection (1) or (2) shall file a report of the calculation with a Market Regulator in such form as may be required by the Market Regulator not later than two trading days following the date on which the calculation is to be made.

#### **10.11 Audit Trail Requirements**

- (1) **Order and Trade Record** - In addition to any information required to be recorded by a Participant in accordance with Part 11 of the Trading Rules, a Participant shall:

- (a) immediately following the receipt or origination of an order, record:
  - (i) all order designations required by clause (b) of subsection (1) of Rule 6.2,
  - (ii) the identifier of any investment adviser or registered representative receiving the order, and
  - (iii) any information respecting the special terms attaching to the order required by subsection (2) of Rule 6.2, if applicable;
- (b) immediately following the entry of an order to trade on a marketplace, add to the record :
  - (i) the identifier of the Participant through which any trade would be cleared and settled,
  - (ii) the identifier assigned to the marketplace on which the order is entered; and
- (c) immediately following the variation or correction of an order, add to the record any information required by clause (a) which has been changed.

- (2) **Transmittal of Order Information to a Market Regulator** - The Participant shall transmit the record of the order required to be maintained by the Participant by this section to:

- (a) the Market Regulator for the marketplace on which the trade was executed; or
- (b) if the order was not executed on a marketplace in accordance with Rule 6.4,
  - (i) a Market Regulator if the security is not listed on an Exchange or traded on a QTRS, and
  - (ii) the Market Regulator for the Exchange or the QTRS on which the security is listed or quoted,

at the time and in such manner and form as may be required by the Market Regulator.

- (3) **Provision of Additional Information** – In addition to any information provided by a Participant to a Market Regulator in accordance with subsection (2), the Participant shall provide to the Market Regulator forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:

- (a) any additional information respecting the order or trade reasonably requested; and



- (b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Participant on any marketplace.
- (4) **Provision of Information by a Access Person** – Where an order has been entered on a marketplace by a Access Person, the Access Person shall provide to the Market Regulator of the marketplace on which the order was entered or the Market Regulator of the marketplace on which the order was executed forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:
  - (a) any information respecting the order or trade reasonably requested; and
  - (b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Access Person on any marketplace.

#### **10.12 Retention and Inspection of Records and Instructions**

- (1) A Participant shall retain:
  - (a) the record of each order as required by Rule 10.11; and
  - (b) sufficient information to identify the beneficial owner of each account for which a record of an order is retained,

for a period of not less than seven years from the creation of the record of the order, and for the first two years, such record and information shall be kept in a readily accessible location.
- (2) A Participant shall allow the Market Regulator of the marketplace:
  - (a) of which the Participant is a member, user or subscriber;
  - (b) on which the Participant entered the order; or
  - (c) on which the order of the Participant was executed,

to inspect and make copies of the record of an order, any record related to the order required to be maintained by the Participant in accordance with applicable securities legislation or the requirements of any self-regulatory organization of which the Participant is a member and information on the beneficial owner of the account at any time during ordinary business hours during the period that such record and information is required to be retained by the Participant.
- (3) An Access Person shall allow the Market Regulator of the marketplace:
  - (a) of which the Access Person is a subscriber; or
  - (b) on which the order of the Access Person was executed,

to inspect and make copies of any information respecting an order at any time during ordinary business hours during the period of not less than seven years from the date of the origination of the order, and for the first two years, such information shall be kept in a readily accessible location.

### **10.13 Exchange and Provision of Information by Market Regulators**

Each Market Regulator shall provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes including the administration and enforcement of these Rules to:

- (a) a self-regulatory entity;
- (b) a self-regulatory organization in a foreign jurisdiction;
- (c) a securities regulatory authority;
- (d) a securities regulatory authority in a foreign jurisdiction; and
- (e) another Market Regulator.

### **10.14 Synchronization of Clocks**

Each marketplace and each Participant shall synchronize the clocks used for recording the time and date of any event that must be recorded pursuant to these Rules to the clock used by the Market Regulator for this purpose.

### **10.15 Assignment of Identifiers and Symbols**

- (1) Each Participant and marketplace shall be assigned a unique identifier for trading purposes.
- (2) Unless otherwise provided pursuant to an agreement made in accordance with section 7.5 of the Trading Rules, the Toronto Stock Exchange shall assign each identifier for the purposes of subsection (1) after consultation with each Exchange and QTRS.
- (3) Each security that trades on a marketplace shall be assigned a unique symbol for trading purposes.
- (4) Unless otherwise provided pursuant to an agreement made in accordance with section 7.5 of the Trading Rules, the Toronto Stock Exchange shall assign each symbol for the purposes of subsection (3) after consultation with each Exchange and QTRS.

## **PART 11 – ADMINISTRATION OF RULES**

### **11.1 General Exemptive Relief**

- (1) A Market Regulator may exempt a specific transaction from the application of a Rule, if in the opinion of the Market Regulator, the provision of such exemption:
  - (a) would not be contrary to the provisions of any applicable securities legislation and the regulation and rules thereunder;
  - (b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and

- (c) is warranted after due consideration of the circumstances of the particular person or transaction.
- (2) A Market Regulator may, upon approval by the applicable securities regulatory authority, exempt a marketplace or a class of transactions from the application of a Rule.
- (3) The Market Regulator shall amend the Rules to reflect any exemption provided under subsection (2).

## **11.2 General Prescriptive Power**

- (1) A Market Regulator may, from time to time, make or amend a Rule or Policy.
- (2) A Rule or Policy or an amendment to a Rule or Policy shall not become effective without the approval of the applicable securities regulatory authority.

## **11.3 Review or Appeal of Market Regulator Decisions**

- (1) Subject to subsection (2), any person directly affected by any direction, order or decision of a Market Regulator, including an order or interim order of a Hearing Panel, or a direction or decision of a Market Integrity Official made in connection with the administration and enforcement of these Rules and any Policy may apply to the applicable securities regulatory authority for a hearing and review or appeal in accordance with applicable securities legislation.
- (2) Any person directly affected by any direction or decision of a Market Regulator or a direction or decision of a Market Integrity Official shall exhaust all possible appeals or reviews by the Market Regulator prior to applying to the applicable securities regulatory authority for a hearing and review or appeal.

## **11.4 Method of Giving Notice**

- (1) Unless otherwise specifically provided in any Requirement, notice to any person shall be sufficiently given if:
  - (a) delivered personally to the person to whom it is to be given;
  - (b) delivered or mailed by pre-paid ordinary mail to the last address of such person as recorded by the Market Regulator or any securities regulatory authority or recognized self-regulatory organization; or
  - (c) provided by telephone transmission or any other form of transmitted or recorded communication or in any other manner, including electronic means, which may, in all the circumstances, could be reasonably expected to come to the attention of such person.
- (2) The Market Regulator may change the address of any person on the records of the Market Regulator in accordance with any information believed by the Market Regulator to be reliable.

- (3) A notice delivered in accordance with this section shall be deemed to have been given when the notice is delivered personally or at the address aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice sent by any means of wire or wireless or any other form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representatives for dispatch.

#### **11.5 Computation of Time**

- (1) In computing the time when a notice must be given or for the doing of anything or taking any proceeding under any provision of a Requirement requiring that a notice be given a specified number of days prior to any meeting, hearing, action or proceeding or that any action be done or proceeding taken within a specified number of days after some event, the date of giving of the notice or of such event shall be excluded and the date of the meeting, hearing, doing of the act or taking of the proceedings shall be included.
- (2) Where the time limited for a proceeding or the doing of anything under any provision of a Requirement expires or falls upon a day that is not a trading day, the time so limited extends to and the thing may be done on the next day following that is a trading day.

#### **11.6 Waiver of Notice**

Any person may waive any notice that is required to be given to such person and such waiver, whether given before or after the meeting, hearing or other event of which notice is required to be given, shall cure any default in giving such notice.

#### **11.7 Omissions or Errors in Giving Notice**

The accidental omission to give any notice to any person or the failure of a person to receive any notice or an error in any notice not affecting the substance of the notice does not invalidate any action founded or taken on the basis of such notice.

#### **11.8 Transitional Provisions**

- (1) Subject to subsection (2), any provision of any rule, policy, ruling, decision or direction of a marketplace in effect immediately prior to the coming into effect of these Rules shall remain in full force and effect until such provision, rule, policy, ruling, decision or direction has been repealed.
- (2) In the event of a conflict between these Rules and the provisions of any rule, policy, ruling, decision or direction of a marketplace that remains in effect after these Rules come into effect, the provisions of these Rules shall prevail.
- (3) Where a marketplace has retained a Market Regulator to be the regulation service provider for that marketplace in accordance with the Trading Rules, any disciplinary proceedings commenced:
  - (a) prior to the date the marketplace retained the Market Regulator shall, subject to the terms of any agreement between the Market Regulator and the marketplace

entered into in accordance with Part 7 of the Trading Rules, be continued by the marketplace in accordance with the rules, policies, rulings, decisions or directions of the marketplace in effect and applicable to such disciplinary proceedings; and

- (b) on or after the date the marketplace retained the Market Regulator in respect of the breach or failure to comply with any rule, policy, ruling, decision or direction of the marketplace shall be undertaken in accordance with Part 10 and be subject to the imposition of any penalty or remedy under Rule 10.5 as if the breach or failure to comply had been a breach or failure to comply with a Marketplace Rule after the date the marketplace retained the Market Regulator to be the regulation service provider.

### **11.9 Non-Application of Rules**

These Rules do not apply to:

- (a) any order entered and executed on a marketplace provided the order has been entered and executed in compliance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules; and
- (b) any order entered and executed on a marketplace or otherwise provided the order has been entered and executed in compliance with:
  - (i) the rules of an applicable regulation service provider as adopted in accordance with Part 8, 9 or 10 of the Trading Rules, or
  - (ii) the terms of an exemption from the application of Part 8, 9 or 10 of the Trading Rules.

### **11.10 Indemnification and Limited Liability of the Market Regulator**

- (1) To the extent permitted by law, the Market Regulator shall be indemnified and saved harmless by a Regulated Person from and against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment and including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings), whatsoever that the Market Regulator sustains or incurs in or about any action, suit or proceeding, whether civil, criminal or administrative, and including any investigation, inquiry or hearing, or any appeal or review, that is threatened, brought, commenced or prosecuted against a Protected Party or in respect of which a Protected Party is compelled or requested to participate, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by the Regulated Person.
- (2) To the extent permitted by law, all costs, charges and expenses in respect of which the Market Regulator is indemnified pursuant to subsection (1) shall be paid to the Market Regulator by the Regulated Person within 90 days after receiving the written request of the Market Regulator.
- (3) The Market Regulator shall not be liable to any Regulated Person any loss, damage, cost, expense or other liability or claim arising from any:
  - (a) failure of any system owned, operated or used by the Market Regulator; or

- (b) act done in good faith in the exercise or intended exercise of any power or in the performance or intended performance of any duty or for any neglect, default or omission in the exercise or performance in good faith of any such power or duty by a Protected Party.
- (4) Subject to subsection (5), no Regulated Person shall be entitled to commence or carry on any action or proceeding in respect of any penalty or remedy imposed by an order or interim order or in respect of any act done or omitted under the provisions of and in compliance with, or intended compliance with, these Rules and any Policy as against a Protected Party.
- (5) Subsection (4) shall not restrict or limit the ability of any person to apply for a review in accordance with Rule 11.3 of a direction, order or decision of a Market Regulator or Market Integrity Official.

#### **11.11 Status of Rules and Policies**

In the event of a conflict between a provision of these Rules or any Policy and the provision of a Marketplace Rule or the functionality of the trading system of any marketplace, these Rules shall govern unless otherwise provided by the securities regulatory authority.

LEONARD PETRILLO  
VICE PRESIDENT  
GENERAL COUNSEL & SECRETARY