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chapter V-1.1, r. 6

REGULATION 23-101 RESPECTING TRADING RULES

Decision 2001-C-0411, Title; M.O. 2007-02, s. 1.

Securities Act

(chapter V-1.1, s. 331.1)

PART 1 DEFINITION AND INTERPRETATION

Decision 2001-C-0411, Part 1; M.O. 2008-15 s. 1.

1.1. Definitions

In this Regulation

"automated trading functionality" means the ability to

(a) immediately allow an incoming order that has been entered on the marketplace electronically to be marked as immediate-or-cancel;

(b) immediately and automatically execute an order marked as immediate-or-cancel against the displayed volume;

(c) immediately and automatically cancel any unexecuted portion of an order marked as immediate-or-cancel without routing the order elsewhere;

(d) immediately and automatically transmit a response to the sender of an order marked as immediate-or-cancel indicating the action taken with respect to the order; and

(e) immediately and automatically display information that updates the displayed orders on the marketplace to reflect any change to their material terms;

"best execution" means the most advantageous execution terms reasonably available under the circumstances.

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

"calculated-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and for which the price of the security

(a) is not known at the time of order entry; and

(b) is not based, directly or indirectly, on the quoted price of an exchange-traded security at the time the commitment to execute the order was made;

"closing-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is

(a) entered on a marketplace on a trading day; and

(b) subject to the conditions that

(i) the order be executed at the closing sale price of that security on that marketplace for that trading day; and

(ii) the order be executed subsequent to the establishment of the closing price;

"directed-action order" means a limit order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace is to be immediately

(i) executed against a protected order with any remainder to be booked or cancelled; or

(ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered or routed at the same time as one or more additional limit orders that are entered on or routed to one or more marketplaces, as necessary, to execute against any protected order with a better price than the order referred to in paragraph (a);

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Amendment – (M.O. 2016-11, s. 1)

"directed-action order" means an order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace, is to be immediately

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(i) executed against a displayed order with any remainder to be booked or cancelled; or

(ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered on or routed to a marketplace

(i) to execute against a best-priced displayed order, or

(ii) at the same time that another order is entered on or routed to a marketplace to execute against any protected order with a better price than the entered or routed order;"

"non-standard order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and is subject to non-standardized terms or conditions related to settlement that have not been set by the marketplace on which the security is listed or quoted;

"protected bid" means a bid for an exchange-traded security, other than an option

(a) that is displayed on a marketplace that provides automated functionality; and

(b) about which information is required to be provided pursuant to Part 7 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5), to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider;

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Amendment – (M.O. 2016-11, s. 1)

(a) that is displayed on a marketplace that provides automated trading functionality and

(i) the marketplace meets or exceeds the market share threshold as set for the purposes of this definition by the regulator, or in Québec, the securities regulatory authority; or

(ii) if the marketplace is a recognized exchange, the bid is for a security listed by and traded on that recognized exchange

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

"protected offer" means an offer for an exchange-traded security, other than an option,

(a) that is displayed on a marketplace that provides automated trading functionality and

(i) the marketplace meets or exceeds the market share threshold as set for the purposes of this definition by the regulator, or in Québec, the securities regulatory authority; or

(ii) if the marketplace is a recognized exchange, the offer is for a security listed by and traded on that recognized exchange;

(b) about which information is required to be provided pursuant to Part 7 of Regulation 21-101 respecting Marketplace Operation to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider;

"protected order" means a protected bid or protected offer; and

"trade-through" means the execution of an order at a price that is,

(a) in the case of a purchase, higher than any protected offer, or

(b) in the case of a sale, lower than any protected bid.

Decision 2001-C-0411, 1.1; M.O. 2007-02, s. 2, 14 and 15; M.O. 2008-15, s. 1; M.O. 2010-01, s. 1; M.O. 2016-11, s. 1.

1.2. Interpretation

Terms defined or interpreted in Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5), and used in this Regulation have the respective meanings ascribed to them in Regulation 21-101 respecting Marketplace Operation.

Decision 2001-C-0411, s. 1.2; M.O. 2007-02, s. 3, 14 and 15; M.O. 2008-15, s. 1; M.O. 2010-01, s. 2.

PART 2 APPLICATION OF THIS REGULATION

Decision 2001-C-0411, Part 2; M.O. 2007-02, s. 14.

2.1. Application of this Regulation

A person is exempt from subsection 3.1(1) and Parts 4 and 5 of this Regulation if the person complies with similar requirements established by

- (a) a recognized exchange that monitors and enforces the requirements set under subsection 7.1(1) directly;*
- (b) a recognized quotation and trade reporting system that monitors and enforces requirements set under subsection 7.3(1) directly; or*
- (c) a regulation services provider.*

Decision 2001-C-0411, 2.1; M.O. 2007-02, s. 4 and 14; M.O. 2008-15, s. 7.

PART 3 MANIPULATION AND FRAUD

3.1. Manipulation and Fraud

(1) A person must not, directly or indirectly, engage in, or participate in any transaction or series of transactions, or method of trading relating to a trade in or acquisition of a security or any act, practice or course of conduct, if the person knows, or ought reasonably to know, that the transaction or series of transactions, or method of trading or act, practice or course of conduct

(a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for a security or a derivative of that security; or

(b) perpetrates a fraud on any person.

(2) In Alberta, British Columbia, Ontario, Québec and Saskatchewan, instead of subsection (1), the provisions of the Securities Act (R.S.A. 2000, c. S-4), the Securities Act (R.S.B.C. 1996, c. 418), the Securities Act (R.S.O. 1990, c. S.5), the Derivatives Act (chapter I-14.01) and the Securities Act (chapter V-1.1) and The Securities Act, 1988 (S.S. 1988-89, c. S-42.2), respectively, relating to manipulation and fraud apply.

Decision 2001-C-0411, 3.1; M.O. 2007-02, s. 5; M.O. 2008-15, s. 7; M.O. 2010-01, s. 3; M.O. 2015-11, s. 11.

PART 4 BEST EXECUTION

4.1. Application of this Part

This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5).

Decision 2001-C-0411, 1.1; M.O. 2007-02, s. 15.

4.2. Best Execution

A dealer and an adviser must make reasonable efforts to achieve best execution when acting for a client.

Decision 2001-C-0411, 4.2; M.O. 2008-15, s. 3.

4.3. Order and Trade Information

To satisfy the requirements in section 4.2, a dealer or adviser must make reasonable efforts to use facilities providing information regarding orders and trades.

Decision 2001-C-0411, 4.3; M.O. 2007-02, s. 3; M.O. 2015-11, s. 11.

PART 5 REGULATORY HALTS

5.1. Regulatory Halts

If a regulation services provider, a recognized exchange, recognized quotation and trade reporting system or an exchange or quotation and trade reporting system that has been recognized for the purposes of this Regulation and Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5) makes a decision to prohibit trading in a particular security for a regulatory purpose, a person must not execute a trade for the purchase or sale of that security during the period in which the prohibition is in place.

Decision 2001-C-0411, 5.1; M.O. 2007-02, s. 14 and 15; M.O. 2008-15, s. 4 and 7; M.O. 2015-11, s. 1.

PART 6 ORDER PROTECTION

Decision 2001-C-0411, Part 6; M.O. 2010-01, s. 4; M.O. 2010-01, s. 5.

6.1. Marketplace Requirements for Order Protection

(1) *A marketplace must establish, maintain and ensure compliance with written policies and procedures that are reasonably designed*

(a) to prevent trade-throughs on that marketplace other than the trade-throughs referred to in section 6.2; and

(b) to ensure that the marketplace, when executing a transaction that results in a trade-through referred to in section 6.2, is doing so in compliance with this Part.

(2) *A marketplace must regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and must promptly remedy any deficiencies in those policies and procedures.*

(3) *At least 45 days before implementation, a marketplace must file with the securities regulatory authority and, if applicable, its regulation services provider the policies and procedures, and any significant changes to those policies and procedures, established under subsection (1).*

Decision 2001-C-0411, 6.1; M.O. 2010-01, s. 4; M.O. 2010-01, s. 5; M.O. 2015-11, s. 11.

6.2. List of Trade-throughs

For the purposes of paragraph 6.1(1)(a) the permitted trade-throughs are:

(a) a trade-through that occurs when the marketplace has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(b) the execution of a directed-action order;

(c) a trade-through by a marketplace that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(d) a trade-through if, immediately before the trade-through, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through;

(e) a trade-through that results when executing

(i) a non-standard order;

(ii) a calculated-price order; or

(iii) a closing-price order;

(f) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer.

Decision 2001-C-0411, 6.2; M.O. 2010-01, s. 4; M.O. 2010-01, s. 5; M.O. 2012-09, s. 1.

6.3. Systems or Equipment Failure, Malfunction or Material Delay

(1) If a marketplace experiences a failure, malfunction or material delay of its systems, equipment or its ability to disseminate marketplace data, the marketplace must immediately notify

(a) all other marketplaces;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor or, if there is no information processor, any information vendor that disseminates its data under Part 7 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5).

(2) If executing a transaction described in paragraph 6.2(a), and a notification has not been sent under subsection (1), the marketplace that is executing the transaction or routing the order for execution must immediately notify the following of the failure, malfunction or material delay:

(a) the marketplace that it reasonably concluded is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data;

(b) all regulation services providers;

(c) its marketplace participants; and

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(d) any information processor disseminating information under Part 7 of Regulation 21-101 respecting Marketplace Operation.

(3) If a marketplace participant reasonably concludes that a marketplace displaying a protected order is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data, and routes an order to execute against a protected order on another marketplace displaying an inferior price, the marketplace participant must notify the following of the failure, malfunction or material delay

(a) the marketplace that may be experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data; and

(b) all regulation services providers.

M.O. 2010-01, s. 5; M.O. 2015-11, s. 11; M.O 2016-11, s. 2.

6.4. Marketplace Participant Requirements for Order Protection

(1) A marketplace participant must not enter a directed-action order unless the marketplace participant has established, and maintains and ensures compliance with, written policies and procedures that are reasonably designed

(a) to prevent trade-throughs other than the tradethroughs listed below:

(i) a trade-through that occurs when the marketplace participant has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(ii) a trade-through by a marketplace participant that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

(iii) a trade-through if, immediately before the tradethrough, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through transaction;

(iv) a trade-through that results when executing

(A) a non-standard order;

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(B) a calculated-price order; or

(C) a closing-price order;

(v) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer; and

(b) to ensure that when executing a trade-through listed in paragraphs (a)(i) to (a)(v), it is doing so in compliance with this Part.

(2) A marketplace participant that enters a directed-action order must regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and must promptly remedy any deficiencies in those policies and procedures.

M.O. 2010-01, s. 5; M.O. 2015-11, s. 11.

6.5. Locked or Crossed Orders

A marketplace participant or a marketplace that routes or reprices orders must not intentionally enter a displayed order on a marketplace that is subject to section 7.1 of Regulation 21 101 respecting Marketplace Operation (chapter V-1.1, r. 5), at a price that,

(a) in the case of an order to purchase, is the same as or higher than the best protected offer; or

(b) in the case of an order to sell, is the same as or lower than the best protected bid.

M.O. 2010-01, s. 5; M.O. 2012-09, s. 2; M.O. 2015-11, s. 11; M.O. 2016-11, s. 3.

6.6. Trading Hours

A marketplace must set the hours of trading to be observed by marketplace participants.

M.O. 2010-01, s. 5; M.O. 2015-11, s. 11.

6.6.1. Trading Fees

(1) In this section, “exchange-traded fund” means a mutual fund,

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

- (a) the units of which are listed securities or quoted securities, and
- (b) that is in continuous distribution in accordance with applicable securities legislation.

(2) A marketplace that is subject to section 7.1 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5) must not charge a fee for executing an order that was entered to execute against a displayed order on that marketplace greater than

(a) \$0.0030 per security traded for an equity security, or per unit traded for an exchange-traded fund, if the execution price of each security or unit traded is greater than or equal to \$1.00; or

(b) \$0.0004 per security traded for an equity security, or per unit traded for an exchange-traded fund, if the execution price of each security or unit traded is less than \$1.00.

M.O. 2016-11, s. 4.

6.7. Anti-Avoidance

A person must not send an order to an exchange, quotation and trade reporting system or alternative trading system that does not carry on business in Canada in order to avoid executing against better-priced protected orders.

M.O. 2010-01, s. 5; M.O. 2015-11, s. 2; M.O. 2016-11, s. 5.

6.8. Application of this Part

In Québec, this Part, except for paragraph 6.3(1)(c), does not apply to standardized derivatives.”.

M.O. 2010-01, s. 5; M.O. 2015-11 s. 3.

PART 7 MONITORING AND ENFORCEMENT OF REQUIREMENTS SET BY A RECOGNIZED EXCHANGE AND A RECOGNIZED QUOTATION AND TRADE REPORTING SYSTEM

7.1. Requirements for a Recognized Exchange

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

- (1) A recognized exchange must set requirements governing the conduct of its members, including requirements that the members will conduct trading activities in compliance with this Regulation.
- (2) A recognized exchange must monitor the conduct of its members and enforce the requirements set under subsection (1), either
- (a) directly, or
 - (b) indirectly through a regulation services provider.
- (3) If a recognized exchange has entered into a written agreement under section 7.2, the recognized exchange must adopt requirements, as determined necessary by the regulation services provider, that govern the recognized exchange and the conduct of the exchange's members, and that enable the regulation services provider to effectively monitor trading on the exchange and across marketplaces.

Decision 2001-C-0411, 7.1; M.O. 2007-02, s. 14; M.O. 2015-11, s. 4 and 11.

7.2. Agreement between a Recognized Exchange and a Regulation Services Provider

A recognized exchange that monitors the conduct of its members indirectly through a regulation services provider must enter into a written agreement with the regulation services provider which provides that the regulation services provider will:

- (a) monitor the conduct of the members of the recognized exchange,
- (b) monitor the compliance of the recognized exchange with the requirements set under subsection 7.1(3), and
- (c) enforce the requirements set under subsection 7.1(1).

Decision 2001-C-0411, 7.2; M.O. 2007-02, s. 6 and 15; M.O. 2010-01, s. 6; M.O. 2015-11, s. 5 and 11.

7.2.1 Obligations of a Recognized Exchange to a Regulation Services Provider

A recognized exchange that has entered into a written agreement with a regulation services provider must

- (a) transmit to the regulation services provider the information required under Part 11 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5) and

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:

(i) *the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.1(1), and*

(ii) *the conduct of the recognized exchange, including the compliance of the recognized exchange with the requirements set under subsection 7.1(3); and*

(b) *comply with all orders or directions made by the regulation services provider.*

M.O. 2015-11, s. 6.

7.3. Requirements for a Recognized Quotation and Trade Reporting System

(1) *A recognized quotation and trade reporting system must set requirements governing the conduct of its users, including requirements that the users will conduct trading activities in compliance with this Regulation.*

(2) *A recognized quotation and trade reporting system must monitor the conduct of its users and enforce the requirements set under subsection (1) either*

(a) *directly; or*

(b) *indirectly through a regulation services provider.*

(3) *If a recognized quotation and trade reporting system has entered into a written agreement under section 7.4, the recognized quotation and trade reporting system must adopt requirements, as determined necessary by the regulation services provider, that govern the recognized quotation and trade reporting system and the conduct of the quotation and trade reporting system's users, and that enable the regulation services provider to effectively monitor trading on the recognized quotation and trade reporting system and across marketplaces.*

Decision 2001-C-0411, 7.3; M.O. 2007-02, s. 14; M.O. 2015-11, s. 7 and 11.

7.4. Agreement between a Recognized Quotation and Trade Reporting System and a Regulation Services Provider

A recognized quotation and trade reporting system that monitors the conduct of its users indirectly through a regulation services provider must enter into a written agreement with the regulation services provider which provides that the regulation

services provider will

(a) *monitor the conduct of the users of the recognized quotation and trade reporting system,*

(b) *monitor the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3), and*

(c) *enforce the requirements set under subsection 7.3(1).*

Decision 2001-C-0411, 7.4; M.O. 2007-02, s. 7 and 15; M.O. 2010-01, s. 7; M.O. 2015-11, s. 8.

7.4.1. Obligations of a Quotation and Trade Reporting System to a Regulation Services Provider

A recognized quotation and trade reporting system that has entered into a written agreement with a regulation services provider must

(a) *transmit to the regulation services provider the information required under Part 11 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5) and any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:*

(i) *the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.3(1), and*

(ii) *the conduct of the recognized quotation and trade reporting system, including the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3); and*

(b) *comply with all orders or directions made by the regulation services provider.*

M.O. 2015-11, s. 9.

7.5. Co-ordination of Monitoring and Enforcement

A regulation services provider, recognized exchange, or recognized quotation and trade reporting system must enter into a written agreement with all other regulation services providers, recognized exchanges, and recognized quotation and trade reporting systems to coordinate monitoring and enforcement of the requirements set under Part 7 and 8.

Decision 2001-C-0411, 7.5; M.O. 2010-01, s. 8; M.O. 2015-11, s. 11.

PART 8 MONITORING AND ENFORCEMENT REQUIREMENTS FOR AN ATS

8.1. Pre-condition to Trading on an ATS

An ATS must not execute a subscriber's order to buy or sell securities unless the ATS has executed and is subject to the written agreements required by sections 8.3 and 8.4.

Decision 2001-C-0411, 8.1; M.O. 2015-11, s. 11.

8.2. Requirements Set by a Regulation Services Provider for an ATS

(1) A regulation services provider must set requirements governing an ATS and its subscribers, including requirements that the ATS and its subscribers will conduct trading activities in compliance with this Regulation.

(2) A regulation services provider must monitor the conduct of an ATS and its subscribers and must enforce the requirements set under subsection (1).

Decision 2001-C-0411, 8.2; M.O. 2007-02, s. 14; M.O. 2015-11, s. 11.

8.3. Agreement between an ATS and a Regulation Services Provider

An ATS and a regulation services provider must enter into a written agreement that provides

(a) that the ATS will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);

(b) that the regulation services provider will monitor the conduct of the ATS and its subscribers;

(c) that the regulation services provider will enforce the requirements set under subsection 8.2(1);

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(d) that the ATS will transmit to the regulation services provider the information required by Part 11 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5) and any other information reasonably required to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, and

(ii) the conduct of the ATS; and

(e) that the ATS will comply with all orders or directions made by the regulation services provider.

Decision 2001-C-0411, 8.3; M.O. 2007-02, s. 15; M.O. 2010-01, s. 9; M.O. 2015-11, s. 11.

8.4. Agreement between an ATS and its Subscriber

An ATS and its subscriber must enter into a written agreement that provides

(a) that the subscriber will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);

(b) that the subscriber acknowledges that the regulation services provider will monitor the conduct of the subscriber and enforce the requirements set under subsection 8.2(1);

(c) that the subscriber will comply with all orders or directions made by the regulation services provider in its capacity as a regulation services provider, including orders excluding the subscriber from trading on any marketplace.

Decision 2001-C-0411, 8.4; M.O. 2007-02, s. 8; M.O. 2015-11, s. 11.

8.5. (Revoked)

Decision 2001-C-0411, 8.5; M.O. 2007-02, s. 9.

PART 9 MONITORING AND ENFORCEMENT REQUIREMENTS FOR AN INTER-DEALER BOND BROKER

9.1. Requirements Set by a Regulation Services Provider for an Inter-Dealer Bond Broker

(1) A regulation services provider must set requirements governing an inter-dealer bond broker, including requirements that the inter-dealer bond broker will conduct trading activities in compliance with this Regulation.

(2) A regulation services provider must monitor the conduct of an inter-dealer bond broker and must enforce the requirements set under subsection (1).

Decision 2001-C-0411, 9.1; M.O. 2007-02, s. 14; M.O. 2015-11, s. 11.

9.2. Agreement between an Inter-Dealer Bond Broker and a Regulation Services Provider

An inter-dealer bond broker and a regulation services provider must enter into a written agreement that provides

(a) that the inter-dealer bond broker will conduct its trading activities in compliance with the requirements set under subsection 9.1(1);

(b) that the regulation services provider will monitor the conduct of the inter-dealer bond broker;

(c) that the regulation services provider will enforce the requirements set under subsection 9.1(1); and

(d) that the inter-dealer bond broker will comply with all orders or directions made by the regulation services provider.

Decision 2001-C-0411, 9.2; M.O. 2015-11, s. 11.

9.3. Exemption for an Inter-Dealer Bond Broker

(1) Sections 9.1 and 9.2 do not apply to an inter-dealer bond broker, if the inter-dealer bond broker complies with the requirements of IIROC Rule 2800 Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets, as amended.

Decision 2001-C-0411, 9.3; M.O. 2007-02, s. 10; M.O. 2010-01, s. 10.

PART 10 MONITORING AND ENFORCEMENT REQUIREMENTS FOR A DEALER EXECUTING TRADES OF UNLISTED DEBT SECURITIES OUTSIDE OF A MARKETPLACE

10.1. Requirements Set by a Regulation Services Provider for a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace

(1) A regulation services provider must set requirements governing a dealer executing trades of unlisted debt securities outside of a marketplace, including requirements that the dealer will conduct trading activities in compliance with this Regulation.

(2) A regulation services provider must monitor the conduct of a dealer executing trades of unlisted debt securities outside of a marketplace and must enforce the requirements set under subsection (1).

Decision 2001-C-0411, 10.1; M.O. 2007-02, s. 14; M.O. 2015-11, s. 11.

10.2. Agreement between a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace and a Regulation Services Provider

A dealer executing trades of unlisted debt securities outside of a marketplace must enter into a written agreement with a regulation services provider that provides

(a) that the dealer will conduct its trading activities in compliance with the requirements set under subsection 10.1(1);

(b) that the regulation services provider will monitor the conduct of the dealer;

(c) that the regulation services provider will enforce the requirements set under subsection 10.1(1); and

(d) that the dealer will comply with all orders or directions made by the regulation services provider.

Decision 2001-C-0411, 10.2; M.O. 2015-11, s. 10.

10.3. (Revoked)

Decision 2001-C-0411, 10.3; M.O. 2007-02, s. 11.

PART 11 AUDIT TRAIL REQUIREMENTS

11.1. Application of this Part

(1) This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5).

(2) A dealer or inter-dealer bond broker is exempt from the requirements in section 11.2 if the dealer or inter-dealer bond broker complies with similar requirements, for any securities specified, established by a regulation services provider and approved by the applicable securities regulatory authority.

Decision 2001-C-0411, 11.1; M.O. 2007-02, s. 12 and 15; M.O. 2012-09, s. 4.

11.2. Audit Trail Requirements for Dealers and Inter-Dealer Bond Brokers

(1) **Recording Requirements for Receipt or Origination of an Order** - Immediately following the receipt or origination of an order for equity, fixed income and other securities indentified by a regulation services provider, a dealer and inter-dealer bond broker must record in electronic form specific information relating to that order including,

- (a) the order identifier;
- (b) the dealer or inter-dealer bond broker identifier;
- (c) the type, issuer, class, series and symbol of the security;
- (d) the face amount or unit price of the order, if applicable;
- (e) the number of securities to which the order applies;
- (f) the strike date and strike price, if applicable;
- (g) whether the order is a buy or sell order;
- (h) whether the order is a short sale order, if applicable;
- (i) whether the order is a market order, limit order or other type of order, and if the order is not a market order, the price at which the order is to trade;
- (j) the date and time the order is first originated or received by the dealer or inter-dealer bond broker;

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

- (k) whether the account is a retail, wholesale, employee, proprietary or any other type of account;
- (l) the client account number or client identifier;
- (m) the date and time that the order expires;
- (n) whether the order is an intentional cross;
- (o) whether the order is a jitney and if so, the underlying broker identifier;
- (p) any client instructions or consents respecting the handling or trading of the order, if applicable; and
- (q) the currency of the order;
- (r) an insider marker; and
- (s) any other markers required by a regulation services provider.
- (t) each unique client identifier assigned to a client accessing the marketplace using direct electronic access; and
- (u) whether the order is a directed-action order.

(2) **Recording Requirements for Transmission of an Order** - Immediately following the transmission of an order for securities to a dealer, inter-dealer bond broker or a marketplace, a dealer or inter-dealer bond broker transmitting the order must add to the record of the order maintained in accordance with this section specific information relating to that order including,

- (a) the dealer or inter-dealer bond broker identifier assigned to the dealer or inter-dealer bond broker transmitting the order and the identifier assigned to the dealer, inter-dealer bond broker or marketplace to which the order is transmitted; and
- (b) the date and time the order is transmitted.

(3) **Recording Requirements for Variation, Correction or Cancellation of an Order** - Immediately following the variation, correction or cancellation of an order for securities, a dealer or inter-dealer bond broker must add to the record of the order maintained in accordance with this section specific information relating to that order including,

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

(a) the date and time the variation, correction or cancellation was originated or received;

(b) whether the order was varied, corrected or cancelled on the instructions of the client, the dealer or the inter-dealer bond broker;

(c) in the case of variation or correction, any of the information required by subsection (1) which has been changed; and

(d) the date and time the variation, correction or cancellation of the order is entered.

(4) **Recording Requirements for Execution of an Order** - Immediately following the execution of an order for securities, the dealer or inter-dealer bond broker must add to the record maintained in accordance with this section specific information relating to that order including,

(a) the identifier of the marketplace where the order was executed or the identifier of the dealer or inter-dealer bond broker executing the order if the order was not executed on a marketplace;

(b) the date and time of the execution of the order;

(c) whether the order was fully or partially executed;

(d) the number of securities bought or sold;

(e) whether the transaction was a cross;

(f) whether the dealer has executed the order as principal;

(g) the commission charged and all other transaction fees; and

(h) the price at which the order was executed, including mark-up or mark-down.

(5) (paragraph revoked).

(6) (paragraph revoked).

(7) **Record preservation requirements** - A dealer and an inter-dealer bond broker must keep all records in electronic form for a period of not less than 7 years from the creation of the record referred to in this section, and for the first 2 years in a readily accessible location.

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

Decision 2001-C-0411, 11.2; M.O. 2007-02, s. 13; M.O. 2008-15, s. 5; M.O. 2012-09, s. 5; M.O. 2015-11, s. 11.

11.3. Transmission in Electronic Form

A dealer and inter-dealer bond broker must transmit

(a) to a regulation services provider the information required by the regulation services provider, within 10 business days, in electronic form; and

(b) to the securities regulatory authority the information required by the securities regulatory authority under securities legislation, within 10 business days, in electronic form.

M.O. 2008-15, s. 6; M.O. 2015-11, s. 11.

PART 12 EXEMPTION

12.1. Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Regulation, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

Decision 2001-C-0411, 12.1; M.O. 2007-02, s. 14.

PART 13 EFFECTIVE DATE

13.1. Effective Date

(Omitted).

Decision 2001-C-0411, 13.1; M.O. 2007-02, s. 14.

Decision 2001-C-0411, 2001-08-28
Bulletin hebdomadaire: 2001-08-31, Vol. XXXII n° 35

Amendments

Decision 2007-PDG-0047, 2007-02-14

REGULATION IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016

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M.O. 2007-02, 2007 G.O. 2, 1268

Decision 2008-PDG-0197, 2008-07-18
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M.O. 2008-15, 2008 G.O. 2, 4549

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Bulletin de l'Autorité: 2010-01-29, Vol. 7, no. 4
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Bulletin de l'Autorité: 2012-06-28, Vol. 9, n° 26
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M.O. 2015-11, 2015 G.O. 2, 2232

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IN FORCE FROM JULY 6, 2016 TO SEPTEMBER 30, 2016