

13.1.4 RS Market Integrity Notice – Request for Comments – Provisions to Accommodate the Introduction of Multiple Marketplaces

REQUEST FOR COMMENTS

PROVISIONS TO ACCOMMODATE THE INTRODUCTION OF MULTIPLE MARKETPLACES

Summary

On May 24, 2005, the Board of Directors of Market Regulation Services Inc. (“RS”) approved a series of amendments to the Rules and Policies under the Universal Market Integrity Rules (“UMIR”) to accommodate the introduction of multiple and competitive marketplaces. In particular, the amendments:

- make provision for a type of order which will trade at the last sale price of a trade undertaken on a particular marketplace;
- ensure that examples provided in the Policies are generic and may apply to various marketplaces;
- require that orders which are subject to the “order exposure” requirements are entered on a marketplace that displays information regarding orders; and
- clarify various definitions of order types and concepts to ensure that the definitions are applicable across marketplaces.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and, in Quebec, by the Autorité des marchés financiers (the “Recognizing Regulators”) and, as such, is authorized to be a regulation services provider for the purposes of the National Instrument 21-101 (“Marketplace Operation Instrument”) and National Instrument 23-101 (“Trading Rules”).

As a regulation services provider, RS will administer and enforce trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange (“TSX”), TSX Venture Exchange (“TSX V”) and Canadian Trading and Quotation System (“CNQ”), each as a recognized exchange (an “Exchange”); and for Bloomberg Tradebook Canada Company, Liquidnet Canada Inc. and Markets Securities Inc., each as an alternative trading system (an “ATS”).

The Rules Advisory Committee of RS (“RAC”) reviewed the proposed amendments to accommodate the introduction of multiple and competitive marketplaces and recommended their adoption by the Board of Directors. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The amendment to UMIR will be effective upon approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the proposed amendments should be in writing and delivered by July 11, 2005 to:

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A copy should also be provided to Recognizing Regulators by forwarding a copy to:

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Capital Markets Branch
Ontario Securities Commission
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Background to the Proposed Amendments

The UMIR was drafted to accommodate the market structure envisaged by the requirements of Marketplace Operations Instrument and Trading Rules that became effective December 1, 2001. Effective January 4, 2004, a number of changes were made to Marketplace Operation Instrument and the Trading Rules. In particular:

- the deletion of requirement for a data consolidator and the substitution of the concept of an information processor or an "information vendor that meets the standards set by a regulation services provider";
- the deletion of the concept of the "principal market" for trading of a security;
- the deletion of the requirement for marketplaces to maintain an electronic connection to every other marketplace trading the same securities; and
- the delay in the introduction of the electronic audit trail until January 1, 2007.

UMIR was also drafted in contemplation of the order types and trading facilities which existed on the TSX and TSX V as of April 1, 2002. There is a need to ensure that the concepts used in UMIR are flexible enough to apply to order types and trading facilities that may be developed by other competitive marketplaces.

Summary of the Proposed Amendments

The following is a summary of the most significant aspects of the amendments to UMIR to accommodate the introduction of multiple marketplaces:

Provisions for "Last Sale Price Order"

The Marketplace Operation Instrument requires that each marketplace establish operating hours for their marketplace. The Marketplace Operation Instrument does not require that each marketplace adopt the "standard" operating hours of the current exchanges in Canada. In order to facilitate trading at the closing price trades may be permitted in special facilities at the "closing" price. The ability to execute trades at the last sale price of a trading session accommodates index rebalancing at the closing price. On the TSX, this trading is undertaken during the Special Trading Session on the TSX from 4:05 to 5:00 p.m. The securities commissions are contemplating the registration of ATs that may provide a "follow-on" session which would permit trading at the last sale price for a limited period of time immediately following the dissemination of details of the trade. In both circumstances, the "best price obligation" imposed by Rule 5.2 and "trade-through obligation" imposed by Rule 2.4 may preclude a Participant from executing a client order at the "last sale price" if a better price existed on another marketplace at that time.

In order to accommodate such trading facilities, the amendments propose that provision be made for a "last sale price order" which would be defined as an order that is subject to the condition that it trade at the last sale price of the security in a trade on the marketplace on which the order is entered provided that price is at or between the best bid price and best ask price at the time of execution. Given that prices disclosed in an applicable market display may continue to vary during the period of time following the entry on a particular marketplace of the "last sale price order" and prior to its execution, it would also be necessary to provide exemptions for this type of order from:

- Rule 2.4 on trade-through obligation;
- Rule 3.1 on short sales;
- Rule 5.2 on best price obligation;

- Rule 6.3 on order exposure;
- Rule 8.1 on client-principal trading.

Abuse of a Market Maker

Presently, one of the examples given in Policy 2.1 of unacceptable activity that would constitute a violation of Rule 2.1 on just and equitable principles is order splitting to take advantage of the market maker obligations in respect of odd lot trades on the TSX and TSX V. Given that another Exchange, including CNQ, or a recognized quotation and trade reporting system (“QTRS”) may have market making systems and provide for different obligations on the market makers, the amendments would make the language of the Policy more generic. The amendment would indicate that entering orders to take advantage of or abuse market makers would be an example of an activity that would be considered contrary to the requirements to conduct business openly and fairly and in accordance with just and equitable principles of trade.

Requirement to Disclose Client Orders on a Transparent Marketplace

Rule 6.3 requires, subject to certain enumerated exceptions, that client orders to purchase or sell 50 standard trading units or less of a security be immediately entered on a marketplace. The purpose of the rule was to ensure that client orders were exposed to the market. The exposure of the order contributed to the operating of the price discovery mechanism that would help to establish the “best bid price” and “best ask price” used in various UMIR provisions including the best price obligation. The amendments to the Marketplace Operation Instrument confirm that a marketplace need not distribute order information to an information vendor if the marketplace does not make details of orders available to persons other than those retained to assist in the operation of the marketplace. The policy objectives behind Rule 6.3 are not met if the client order is entered on a marketplace that does not provide information on the order to an information vendor for inclusion in an applicable market display. The proposed amendments to Rule 6.3 would require the entry of the client order on a marketplace that discloses order information in an applicable market display.

Definition of “Special Terms Order”

Presently, UMIR defines a “Special Terms Order” as an order to purchase or sell:

- less than a standard trading unit;
- that is subject to a condition other than price or date of settlement; and
- that on execution would settle other than the third business day following execution (or other date stipulated for settlement by a direction of an Exchange or QTRS).

In addition, UMIR defines a number of “specialty” orders such as a Basis Order, Call Market Order, Market-on-Close Order, Opening Order and Volume-Weighted Average Price Order. As outlined above, the amendments propose to add a “Last Sale Price Order”. Each of these order types could be considered to be a “Special Terms Order”. However, a “Special Terms Order” is not exempt from Rule 8.1 dealing with Client-Principal Trading (which requires a “better price” when a Participant executes the trade as principal against the client order that is a Special Terms Order) and is exempt from the “best price obligation” under Rule 5.2 only if the Marketplace Rules provide that the order can trade at a price other than the “best price”. In order to clarify the requirements applying to order types on future marketplaces, the amendments propose to vary the definition of “Special Terms Order” to specifically exclude the “specialty” order types.

In drafting UMIR, it was anticipated that the “conditions” that would be added to a Special Terms Order would be ones that were added by the client or person entering the order. It was not anticipated that “conditions” imposed by a marketplace on the entry of an order (such as the order being of a minimum size) would qualify an order to be treated as a “Special Terms Order”. The amendments propose to clarify that conditions imposed by the marketplace on order entry or order execution will not make the order a “Special Terms Order” for the purposes of UMIR.

Definition of “Best Ask Price”, “Best Bid Price”, “Last Sale Price”

The definition of “best ask price” and “best bid price” currently exclude any price that may be displayed for a Special Terms Order. While existing marketplaces do not display order information for “specialty” orders, new marketplaces could in fact decide to do so with respect to such orders entered on their marketplace. Because of the “specialty” nature of such orders, the price for such orders to the extent that the price may be publicly available should not be part of the price discovery mechanism. The amendments provide that the determination of the “best ask price” and “best bid price” exclude the price of any order that is:

- a Basis Order;
- a Call Market Order;
- a Last Sale Price Order;
- a Market-on-Close Order;
- an Opening Order;
- a Special Terms Order; and
- a Volume-Weighted Average Price Order.

While the price at which an Opening Order or a Market-on-Close Order executes may be considered to have properly established the market price of a security at that point in time, other types of “specialty” orders reflect terms and conditions that should be excluded from the determination of “last sale price” (which is used principally to determine the price at which a short sale may be made under Rule 3.1 and the price at which market stabilization and market balancing may be undertaken under Rule 7.7). As the definition is presently proposed, the execution of a Special Terms Order would be able to establish the last sale price.

Definition of “Opening Order”

Presently, an order that is entered on a marketplace to execute at the opening price of the security on that marketplace continues to qualify as an Opening Order even if the order does not participate in the initial trades for the security on that marketplace. An Opening Order is exempt from various UMIR requirements, including the “best price” obligation under Rule 5.2 and the client-principal trading requirements under Rule 8.1, since the price at which the opening will occur is not known as the time of the entry of the order. If the order does not trade at the opening, there is a question whether the order should continue to qualify for these exemptions. The amendments propose that an order would cease to qualify as an “Opening Order” if the order does not participate in the initial trades in the security on that marketplace.

Related Proposed Amendments

RS has proposed a number of other amendments to UMIR which are, at least in part, necessary or desirable to accommodate the introduction of multiple marketplaces. The following is a summary of the most relevant aspects of these related amendments:

Best Price Obligation / Trade-Through Obligations

Proposed amendments to the “best price” obligation have been incorporated into a series of proposed amendments to UMIR that has been published for comment by Market Integrity Notice 2005-012 - *Request for Comments - Provisions Respecting “Off-Marketplace” Trades* issued on April 29, 2005. If the amendments related to a “Last Sale Price Order” proposed in this Market Integrity Notice are approved, a client order entered as a Last Sale Price Order will be exempt from the best price obligations under Rule 5.2.

Market Integrity Notice 2005-016 – *Request for Comments - Interim Provisions Respecting Trade-Through Obligations* issued on May 12, 2005 contains a proposal to introduce a specific “trade-through” obligation that would apply to both Participants and Access Persons. If at the time of the execution of a “Last Sale Price Order” the execution price is not then at or between the best bid price and best ask price, a Participant may have the obligation to make reasonable efforts to fill any better-priced orders on another marketplace.

Comment is specifically requested on the following questions:

1. *Should the execution of a Last Sale Price Order be exempt from the trade-through obligations proposed as Rule 2.4 in Market Integrity Notice 2005-016?*
2. *If a Last Sale Price Order is not exempt from the trade-through obligations, should the obligation to better-priced order on other marketplaces be limited to the volume of the Last Sale Price Order that executes?*
3. *Should the volume of a Last Sale Price Order be included in the calculation of the “disclosed volume” that must be filled to comply with the trade-through obligations if the volume of such an order is included in an applicable market display?*

Client Priority

Rule 5.3 of UMIR (“Client Priority Rule”) presently provides that a Participant need not give priority to a client order over a principal order or non-client order if the allocation has been made by the trading system of a marketplace. This approach is acceptable when all marketplaces utilize the same allocation algorithms. However, if there are multiple marketplaces trading the same securities there is a probability that each of the marketplaces will have variations in the priorities for the allocation of orders in respect of trades executed on the marketplace. With the possible introduction of new allocation algorithms, the interests of a client could be affected intentionally or unintentionally based on the marketplace on which either the client order or the principal order or non-client order is entered.

Amendments to the Client Priority Rule have been proposed in Market Integrity Notice 2005-017 *Request for Comments – Provisions Respecting Client Priority* whereby a Participant would be able to rely on the allocation of the trading system of a marketplace only if the security did not trade on more than one marketplace. If the security traded on multiple marketplaces, the requirement to provide “priority” to a client would be tied directly to the time of receipt of the client order.

Additional changes to the Client Priority Rule to address problems unrelated to the introduction of multiple marketplaces are included with the proposed amendments set out in Market Integrity Notice 2005-017 issued on June 3, 2005.

Comment is specifically requested on the following question:

4. *Should a Participant be able to rely on the allocation by the trading system of a marketplace as an exemption to the client priority rule if the principal or non-client order is entered as a Last Sale Price Order?*

Definition of “Applicable Market Display”

By Market Integrity Notice 2005-018 *Request for Comments – Definition of “Applicable Market Display”* issued on June 3, 2005, RS requests comments on a proposed amendment to UMIR to vary the definition of “consolidated market display” to:

- eliminate the requirement that the consolidated feed produced by an information processor or the information on orders and trades produced by an information vendor must contain information from the “principal market” for a particular security; and
- provide that, if there is not an information processor, information provided by an information vendor may be relied upon as an “applicable market display” only if the information vendor meets the standards established by a Market Regulator.

While this change is necessary to conform to amendments to the Marketplace Operation Instrument that became effective January 4, 2004 and to accommodate multiple marketplaces, the proposed amendment is the subject of a separate Market Integrity Notice which specifically deals with the process to be followed for the establishment of standards by RS for information vendors and regulatory feeds (including the electronic audit trail requirement under the Marketplace Operation Instrument that will become effective January 1, 2007.)

Appendices

The text of the amendments to the Rules and Policies to accommodate the introduction of multiple marketplaces is set out in Appendix “A”. Appendix “B” contains the text of the relevant provisions of the Rules and Policies as they would read on the adoption of the amendments. Appendix “B” also contains a marked version of the current provisions highlighting the changes introduced by the amendments.

Questions

Questions concerning this notice may be directed to:

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ROSEMARY CHAN,
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Appendix "A"

Universal Market Integrity Rules

**Proposed Amendments to Accommodate the Introduction
of Multiple Marketplaces**

The Universal Market Integrity Rules are amended as follows:

1. Rule 1.1 is amended by:
 - (a) deleting in the definition of "best ask price" the phrase "Special Terms Order" and substituting "Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order".
 - (b) deleting in the definition of "best bid price" the phrase "Special Terms Order" and substituting "Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order".
 - (c) inserting in the definition of "last sale price" the phrase ", Last Sale Price Order" after "Call Market Order".
 - (d) adding the following definition of "Last Sale Price Order":

"Last Sale Price Order" means an order for the purchase or sale of a listed security or a quoted security entered on a marketplace and subject to the condition that the order trade at the last sale price of that security on that marketplace.
 - (e) inserting at the end of the definition of "Opening Order" the phrase "provided an order shall cease to be an Opening Order if the order does not trade at the opening of trading of that security on that marketplace on that trading day"; and
 - (f) replacing the definition of "Special Terms Order" with the following:

"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:
 - (i) to price,
 - (ii) to the date of settlement; or
 - (iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; 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,but does not include an order that is a Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.
2. Clause (f) of subsection (2) of Rule 3.1 is amended by:
 - (a) deleting the word "or" at the end of subclause (iii);

- (b) inserting the phrase “, or” after the word “Order” in subclause (iv); and
 - (c) adding the following as subclause (v):
 - (v) a Last Sale Price Order.
3. Clause (c) of subsection (2) of Rule 5.2 is amended by:
- (a) deleting the word “or” at the end of subclause (iv);
 - (b) inserting the phrase “, or” after the word “Order” in subclause (v); and
 - (c) adding the following as subclause (vi):
 - (vi) a Last Sale Price Order.
4. Clause (b) of subsection (1) of Rule 6.2 is amended by adding the following as subclause (v.2):
- (v.2) a Last Sale Price Order.
5. Subsection (1) of Rule 6.3 is amended by inserting the phrase “that displays orders in accordance with Part 7 of the Marketplace Operation Instrument” after the first occurrence of the word “marketplace”.
6. Clause (h) of subsection (1) of Rule 6.3 is amended by:
- (a) deleting the word “or” at the end of subclause (v);
 - (b) inserting the phrase “, or” after the word “Order” in subclause (vi); and
 - (c) adding the following as subclause (vii):
 - (vii) a Last Sale Price Order.
7. Subsection (2) of Rule 8.1 is amended by:
- (a) deleting the word “or” at the end of clause (d);
 - (b) inserting the phrase “; or” after the word “Order” in clause (e); and
 - (c) adding the following as clause (f):
 - (f) a Last Sale Price Order.

The Policies under the Universal Market Integrity Rules are amended as follows:

1. Clause (d) at the end of Part 1 of Policy 2.1 is deleted and the following substituted:
- (d) when trading a security on a marketplace that is subject to Market Maker Obligations, intentionally entering on that marketplace on a particular trading day two or more orders which would impose an obligation on the Market Maker to:
 - (i) execute with one or more of the orders, or
 - (ii) purchase at a higher price or sell at a lower price with one or more of the orders
- in accordance with the Market Maker Obligations that would not be imposed on the Market Maker if the orders had been entered on the marketplace as a single order or entered at the same time.

Appendix “B”

Universal Market Integrity Rules

Text of Rules and Policies to Reflect Proposed Amendments to Accommodate the Introduction of Multiple Marketplaces

(The text assumes that the amendments proposed by Market Integrity Notice 2005-012 – Request for Comments – Provisions Respecting “Off-Marketplace” Trades have been approved.)

| Text of Provisions of Following Adoption of Proposed Amendments | Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments |
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| <p>1.1 Definitions</p> <p>“best ask price” means the lowest price of an order on any marketplace as displayed in an applicable market display to sell a particular security, but does not include the price of any order that is a Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.</p> | <p>1.1 Definitions</p> <p>“best ask price” means the lowest price of an order on any marketplace as displayed in an applicable market display to sell a particular security, but does not include the price of any order that is a <u>Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.</u></p> |
| <p>“best bid price” means the highest price of an order on any marketplace as displayed in an applicable market display to buy a particular security, but does not include the price of any order that is a Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.</p> | <p>“best bid price” means the highest price of an order on any marketplace as displayed in an applicable market display to buy a particular security, but does not include the price of any order that is a <u>Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.</u></p> |
| <p>“last sale price” means the price of the last sale of at least one standard trading unit of a particular security displayed in an applicable market display but does not include the price of a sale resulting from an order that is a Basis Order, Call Market Order, Last Sale Price Order or Volume-Weighted Average Price Order.</p> | <p>“last sale price” means the price of the last sale of at least one standard trading unit of a particular security displayed in an applicable market display but does not include the price of a sale resulting from an order that is a <u>Basis Order, Call Market Order, Last Sale Price Order</u> or Volume-Weighted Average Price Order.</p> |
| <p>“Last Sale Price Order” means an order for the purchase or sale of a listed security or a quoted security entered on a marketplace and subject to the condition that the order trade at the last sale price of that security on that marketplace.</p> | <p>“Last Sale Price Order” means an order for the purchase or sale of a listed security or a quoted security entered on a marketplace and subject to the condition that the order <u>trade at the last sale price of that security on that marketplace.</u></p> |
| <p>“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 provided an order shall cease to be an Opening Order if the order does not trade at the opening of trading of that security on that marketplace on that trading day.</p> | <p>“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 <u>day</u> provided an order shall cease to be an Opening Order if the <u>order does not trade at the opening of trading of that security on that marketplace on that trading day.</u></p> |
| <p>“Special Terms Order” means an order for the purchase or sale of a security:</p> <p>(a) for less than a standard trading unit;</p> <p>(b) the execution of which is subject to a condition other than as:</p> <p>(i) to price,</p> <p>(ii) to the date of settlement, or</p> | <p>“Special Terms Order” means an order for the purchase or sale of a security:</p> <p>(a) for less than a standard trading unit;</p> <p>(b) the execution of which is subject to a condition other than as:</p> <p>(i) to price,<u>er</u></p> <p>(ii) to the date of settlement,<u>;</u> or</p> |

| Text of Provisions of Following Adoption of Proposed Amendments | Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments |
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| <p>(iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or</p> <p>(c) that on execution would be settled on a date other than:</p> <p>(i) the third business day following the date of the trade, or</p> <p>(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,</p> <p>but does not include an order that is a Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.</p> | <p><u>(iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or</u></p> <p>(c) that on execution would be settled on a date other than:</p> <p>(i) the third business day following the date of the trade, or</p> <p>(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,</p> <p><u>but does not include an order that is a Basis Order, Call Market Order, Last Sale Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.</u></p> |
| <p>3.1 Restriction on Short Selling</p> <p>(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:</p> <p>...</p> <p>(f) the result of:</p> <p>(i) a Call Market Order,</p> <p>(ii) a Market-on-Close Order,or</p> <p>(iii) a Volume-Weighted Average Price Order,</p> <p>(iv) a Basis Order, or</p> <p>(v) a Last Sale Price Order.</p> | <p>3.1 Restriction on Short Selling</p> <p>(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:</p> <p>...</p> <p>(f) the result of:</p> <p>(i) a Call Market Order,</p> <p>(ii) a Market-on-Close Order,</p> <p>(iii) a Volume-Weighted Average Price Order,or</p> <p>(iv) a Basis Order,<u>or</u></p> <p><u>(v) a Last Sale Price Order.</u></p> |
| <p>5.2 Best Price Obligation</p> <p>(2) Subsection (1) does not apply to the execution of an order which is:</p> <p>...</p> <p>(c) directed or consented to by the client to be entered on a marketplace as:</p> <p>(i) a Call Market Order,</p> <p>(ii) a Volume-Weighted Average Price Order,</p> <p>(iii) a Market-on-Close Order,</p> <p>(iv) an Opening Order,</p> <p>(v) a Basis Order, or</p> <p>(vi) a Last Sale Price Order.</p> | <p>5.2 Best Price Obligation</p> <p>(2) Subsection (1) does not apply to the execution of an order which is:</p> <p>...</p> <p>(c) directed or consented to by the client to be entered on a marketplace as:</p> <p>(i) a Call Market Order,</p> <p>(ii) a Volume-Weighted Average Price Order,</p> <p>(iii) a Market-on-Close Order,</p> <p>(iv) an Opening Order, or</p> <p>(v) a Basis Order,<u>or</u></p> <p><u>(vi) a Last Sale Price Order.</u></p> |

| Text of Provisions of Following Adoption of Proposed Amendments | Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments |
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| <p>6.2 Designations and Identifiers</p> <p>(1) Each order entered on a marketplace shall contain: ...</p> <p>(b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:</p> <ul style="list-style-type: none"> (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, (v.1) a Basis Order, (v.2) a Last Sale 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. | <p>6.2 Designations and Identifiers</p> <p>(1) Each order entered on a marketplace shall contain: ...</p> <p>(b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:</p> <ul style="list-style-type: none"> (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, (v.1) a Basis Order, <u>(v.2) a Last Sale Price Order,</u> (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. |

| Text of Provisions of Following Adoption of Proposed Amendments | Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments |
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| <p>6.3 Exposure of Client Orders</p> <p>(1) A Participant shall immediately enter on a marketplace that displays orders in accordance with Part 7 of the Marketplace Operation Instrument a client order to purchase or sell 50 standard trading units or less of a security unless:</p> <p>...</p> <p>(h) the client has directed or consented to the order being entered on a marketplace as:</p> <ul style="list-style-type: none"> (i) a Call Market Order, (ii) an Opening Order, (iii) a Special Terms Order, (iv) a Volume-Weighted Average Price Order, (v) a Market-on-Close Order, (vi) a Basis Order, or (vii) a Last Sale Price Order. | <p>6.3 Exposure of Client Orders</p> <p>(1) A Participant shall immediately enter on a marketplace <u>that displays orders in accordance with Part 7 of the Marketplace Operation Instrument</u> a client order to purchase or sell 50 standard trading units or less of a security unless:</p> <p>...</p> <p>(h) the client has directed or consented to the order being entered on a marketplace as:</p> <ul style="list-style-type: none"> (i) a Call Market Order, (ii) an Opening Order, (iii) a Special Terms Order, (iv) a Volume-Weighted Average Price Order, (v) a Market-on-Close Order, or (vi) a Basis Order, <u>or</u> <u>(vii) a Last Sale Price Order.</u> |
| <p>8.1 Client-Principal Trading</p> <p>(2) Subsection (1) does not apply if the client has directed or consented that the client order be:</p> <ul style="list-style-type: none"> (a) a Call Market Order; (b) an Opening Order; (c) a Market-on-Close Order; (d) a Volume-Weighted Average Price Order, (e) a Basis Order, or (f) a Last Sale Price Order. | <p>8.1 Client-Principal Trading</p> <p>(2) Subsection (1) does not apply if the client has directed or consented that the client order be:</p> <ul style="list-style-type: none"> (a) a Call Market Order; (b) an Opening Order; (c) a Market-on-Close Order; (d) a Volume-Weighted Average Price Order, or (e) a Basis Order, <u>or</u> <u>(f) a Last Sale Price Order.</u> |
| <p>Policy 2.1 – Just and Equitable Principles</p> <p>Part 1 – Examples of Unacceptable Activity</p> <p>Without limiting the generality of the Rule, the following are example of activities that would be considered to be in violation of the obligation to conduct business openly and fairly or in accordance with just and equitable principles of trade:</p> <p>...</p> <p>(d) when trading a security on a marketplace that is subject to Market Maker Obligations, intentionally entering on that marketplace on a particular trading day two or more orders which would impose an obligation on the Market Maker to:</p> | <p>Policy 2.1 – Just and Equitable Principles</p> <p>Part 1 – Examples of Unacceptable Activity</p> <p>Without limiting the generality of the Rule, the following are example of activities that would be considered to be in violation of the obligation to conduct business openly and fairly or in accordance with just and equitable principles of trade:</p> <p>...</p> <p>(d) when trading a combined board lot/odd lot order for a listed security on an Exchange, entering the odd lot portion of the order prior to executing the board lot portion of the order as such order entry exposes the Registered Trader on the TSE or the Odd Lot Dealer on</p> |

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| <p>(i) execute with one or more of the orders, or</p> <p>(ii) purchase at a higher price or sell at a lower price with one or more of the orders</p> <p>in accordance with the Market Maker Obligations that would not be imposed on the Market Maker if the orders had been entered on the marketplace as a single order or entered at the same time.</p> | <p>the CDNX to automatic odd lot trades at unreasonable prices a security on a marketplace that is subject to Market Maker Obligations, intentionally entering on that marketplace on a particular trading day two or more orders which would impose an obligation on the Market Maker to:</p> <p>(i) execute with one or more of the orders, or</p> <p>(ii) purchase at a higher price or sell at a lower price with one or more of the orders</p> <p><u>in accordance with the Market Maker Obligations that would not be imposed on the Market Maker if the orders had been entered on the marketplace as a single order or entered at the same time.</u></p> |