

## **Appendix B – Amendments to UMIR (clean)**

### **3.2 Prohibition on the Entry of Orders**

(1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale:

- (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii);
- (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order; or
- (c) if the security is a Pre-Borrow Security, unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.

...

### **3.3 Reasonable expectation to settle prior to the entry of an order for a short sale**

(1) Before entering an order on a marketplace to sell a security that on execution would result in a short sale, a Participant or Access Person must have a reasonable expectation to settle any resulting trade on the date contemplated on the execution of the trade.

### **3.4 Short Selling after a Reportable Extended Failed Trade**

(1) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that on execution would be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:

- (a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or
- (b) the Market Regulator has consented to the entry of such order or orders.

(2) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that on execution would be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:

- (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or
- (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was not as a result of any intentional or negligent act of the client or non-client.

## 6.1 Entry of Orders to a Marketplace

...

(4)-(6) repealed

...

## Part 3 of UMIR Policy 7.1 – Supervision and Compliance Procedures for Trading on a Marketplace

...

Each Participant must develop written policies and procedures in relation to all Requirements that apply to their business activities. A Participant’s supervision system must at a minimum include the regular review of compliance with respect to the following provisions for trading on a marketplace where applicable to their lines of business:

- Audit Trail requirements (Rule 10.11)
- Electronic Access to Marketplaces (Rule 7.1)
- Specific Unacceptable Activities (Rule 2.1)
- Manipulative and Deceptive Activities (Rule 2.2)
- Trading in restricted securities (Rule 7.7)
- Trading of grey list securities (Rule 2.2)
- Reasonable expectation to settle prior to the entry of an order for a short sale requirements (Rule 3.3)
- Disclosure requirements (Rule 10.1)
- Frontrunning (Rule 4.1)
- Client/Principal Trading (Rule 8.1)
- Client Priority (Rule 5.3)
- Best Execution (Part C of Corporation Rule 3100 – Best Execution of Client Orders)
- Order Exposure requirements (Rule 6.3)
- Time synchronization requirements (Rule 10.14)

...

## 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 UMIR and any Policies with respect to specific unacceptable activities, manipulative and deceptive activities, short sales and frontrunning as if references to “Participant” in Rules 2.1, 2.2, 2.3, 4.1, and Part 3 of UMIR included reference to such person; and

(b) in respect of the failure to comply with the provisions of UMIR and the 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 UMIR and any Policies with respect to specific unacceptable activities, manipulative and deceptive activities and short sales as if references to “Access Person” in Rules 2.1, 2.2, 2.3 and Part 3 of UMIR included reference to such person; and

(b) in respect of the failure to comply with the provisions of UMIR and the Policies referred to in clause (a), be subject to the practice and procedures and to the penalties and remedies set out in this Part.

#### **10.16 Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons**

(1) An officer, director, partner or employee of a Participant shall forthwith report to their supervisor or the compliance department of the Participant upon becoming aware of activity in a principal account, non-client account or client account of the Participant or a related entity that the officer, director, partner or employee believes may be a violation of:

(a) Subsection (1) of Rule 2.1 respecting specific unacceptable activities;

(b) Rule 2.2 respecting manipulative and deceptive activities;

(c) Rule 2.3 respecting improper orders and trades;

(c.1) Subsection (1) of Rule 3.3 respecting a reasonable expectation to settle prior to the entry of an order for a short sale;

...

(h) Any Requirement that has been designated by the Market Regulator for the purposes of this subsection.

(2) An officer, director, partner or employee of an Access Person shall forthwith report to their supervisor or the compliance department of the Access Person upon becoming aware of activity by the Access Person or a related entity that the officer, director, partner or employee believes may be a violation of:

(a) Subsection (2) of Rule 2.1 respecting specific unacceptable activities;

(b) Rule 2.2 respecting manipulative and deceptive activities;

(c) Rule 2.3 respecting improper orders or trades;

(d) Subsection (1) of Rule 3.3 respecting reasonable expectation to settle prior to the entry of an order for a short sale; and

...