| Market Integrity Notice |

Market Regulation Services Inc.
Services de réglementation du marché inc.

January 28, 2004 No. 2004-002

Suggested Routing: Trading, Legal & Compliance

NET PRICE TRADES

Recently, the question has arisen as to how a Participant should treat a "net price trade" for the purposes of the Universal Market Integrity Rules ("UMIR"). In this case, a "net price trade" involves a Participant (the "Originating Participant") who arranges with another Participant (the "Executing Participant") to execute a client order on behalf of the Originating Participant in circumstances where the Executing Participant guarantees a price for the securities to the Originating Participant. An example of such a trade is set out below:

> An Originating Participant instructs the Executing Participant to sell 1,000 shares. The Originating Participant at the request of its client intends to confirm the trade execution to their client as a net price. To facilitate this net price confirmation the Executing Participant would purchase the 1,000 shares into a principal inventory account at $0.95 from the Originating Participant. The Executing Participant would then sell the 1,000 shares as principal into the marketplace at $1.00.

If the client's order is executed in the manner described above, the transaction is not a "jitney order" as the term is defined in UMIR. The Executing Participant, in guaranteeing a specific price for the purchase or sale of the security, is undertaking a principal "take-on" trade which should be executed on a marketplace in accordance with the provisions of Rule 6.4. The obligations established in both Rule 8.1 (Client-Principal Trading) and Rule 5.1 (Best Execution) will apply to this initial take-on trade. In addition to executing the take-on trade on a marketplace ("printing"), the Executing Participant is also obliged to print the "unwinding" trade on a marketplace, subject to being able to complete the trade "off-marketplace" in accordance with one of the enumerated exceptions set out in Rule 6.4 of UMIR.

In completing the transaction as a "net price trade", the Executing Participant is reminded of the requirements under Rule 7.5 that 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.

It should be noted that the transaction described above could be executed as a jitney transaction where the Executing Participant marks the order as a jitney order for the Originating Participant. However, in such a situation, the Executing Participant can not guarantee a price to the Originating Participant. Instead, the Executing Participant will be obliged to provide the Originating Participant with written confirmation of the trade in accordance with applicable securities legislation, including providing sufficient information to allow the Originating Participant to determine the commission charged by the Executing Participant.

Questions

Questions concerning this notice may be directed to:

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