

IIROC NOTICE

Rules Notice Technical

UMIR

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Contact:

Michael T. Prior
Vice President, Market Surveillance
Telephone: 416 646-7217
Fax: 416 646-7263
email: mprior@iiroc.ca

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Circuit Breaker Levels for the First Quarter

Summary

This Rules Notice provides guidance relating to the imposition, during the First Quarter of 2011, of a general regulatory halt in the trading of securities in co-ordination with the application of “circuit breakers” on markets in the United States. This Rules Notice also provides guidance relating to the imposition of a general regulatory halt on a day when trading is not scheduled for markets in the United States.

Background

Rule 9.1 of the Universal Market Integrity Rules allows the Investment Industry Regulatory Organization of Canada (“IIROC”) to impose a trading halt or suspension for regulatory purposes. It is the policy of IIROC to co-ordinate trading halts with markets in the United States when “circuit breakers” are invoked on those markets. The circuit breaker trigger points are set at three fluctuating levels representing 10%, 20% and 30% of the Dow Jones Industrial Average (“DJIA”). The levels are calculated by the New York Stock Exchange



(“NYSE”) at the beginning of each calendar quarter, using the average closing value of the DJIA for the preceding month. Each trigger is rounded to the nearest 50 points.

There may be occasions when marketplaces in Canada are open for trading and the NYSE is closed for a recognized holiday in the United States. On those days, IIROC would invoke “circuit breakers” using levels representing 10%, 20% and 30% of the average closing value of the S&P/TSX Composite Index in the month immediately preceding the calendar quarter. As with “circuit breakers” based on the DJIA, each trigger is rounded to the nearest 50 points.

Levels During the First Quarter

The NYSE has announced that **effective Monday, January 3, 2011** for the **First Quarter**, trading halts will be triggered when the DJIA declines below its closing value on the previous trading day by:

Level 1 (10%) – 1,150 points

Level 2 (20%) – 2,300 points

Level 3 (30%) – 3,450 points

During the **First Quarter**, in the event that marketplaces in Canada are open for trading on a trading day that the NYSE is not scheduled to be open for trading, trading halts will be triggered when the S&P/TSX Composite Index declines below its closing value on the previous trading day by:

Level 1 (10%) – 1,350 points

Level 2 (20%) – 2,700 points

Level 3 (30%) – 4,000 points

The length of the regulatory halts will be as follows:

Level 1:

- before 2 p.m. - one hour
- at 2 p.m. or later but before 2:30 p.m. - 30 minutes
- at 2:30 p.m. or later - trading shall continue, unless there is a level 2 halt.

Level 2:

- before 1 p.m. - two hours
- at 1 p.m. or later but before 2 p.m. – one hour
- at 2:00 p.m. or later - trading shall halt and not resume for the remainder of the day.



Level 3 Halt:

- at any time – trading shall halt and not resume for the remainder of the day.