

# IIROC NOTICE

## **Rules Notice Request for Comments** UMIR and Dealer Member Rules

*Please distribute internally to:*

Institutional  
Legal and Compliance  
Retail  
Operations  
Senior Management  
Trading Desk

*Contact:*

Naomi Solomon  
Senior Policy Counsel, Market Regulation Policy  
Telephone: 416.646.7280  
fax: 416.646.7265  
e-mail: [nsolomon@iiroc.ca](mailto:nsolomon@iiroc.ca)

Jamie Bulnes  
Director, Member Regulation Policy  
Telephone: 416.943.6928  
Fax: 416.943.6760  
e-mail: [jbulnes@iiroc.ca](mailto:jbulnes@iiroc.ca)

**13-0241**

**September 25, 2013**

## **Proposed Guidance on Marketplace and Average Price Trade Confirmation Disclosure**

### **Executive Summary**

IIROC requests comments on draft guidance that IIROC would propose to issue on average price disclosure for trade confirmations together with guidance on marketplace disclosure for trade confirmations (“Proposed Guidance”). The Proposed Guidance is intended to:

- consolidate guidance respecting marketplace and average price trade disclosure on trade confirmations;
- respond to requests of certain Dealer Members for permission to use general average price disclosure on trade confirmations regardless of whether the transaction price represents an average price of multiple trades or the price of a single trade; and



- repeal and replace Compliance Interpretation Bulletin C-119 – *Average Price Trade Reporting* (February 13, 1998)<sup>1</sup> and IIROC Notice 12-0236 – Rules Notice – Guidance Note – UMIR – *Guidance on Marketplace Disclosure for Trade Confirmations* (July 27, 2012) (“Previous Guidance”).

The Proposed Guidance would adopt the Previous Guidance respecting marketplace disclosure for trade confirmations and clarify acceptable average price disclosure for use on trade confirmations.

## **Background**

A single client order can be filled by multiple executions, at multiple prices and/or on multiple marketplaces. Technology enables Dealer Members to reflect multiple fills as one transaction on a trade confirmation in order that a client receives one trade confirmation, reflecting one price, for the client’s single order. This practice is efficient for both the Dealer Member, as it produces one trade confirmation, and for the client who receives only one trade confirmation in response to the client’s entered order. In circumstances in which multiple trades result in a transaction price that is an average of the individual trades’ prices, the Previous Guidance permits Dealer Members to include a statement on the trade confirmation that an average price is shown. Dealer Members have requested the ability to use general average price disclosure language on all trade confirmations so that they are not required to produce separate price disclosure language when a transaction reflects only one trade execution.

## **Questions**

While comment is sought on all new aspects of the Proposed Guidance, IIROC would specifically request a response on the following question:

1. Would the use of general average price disclosure on trade confirmations impact Dealer Members’ ability to comply with the obligation to transmit, in an accessible electronic form, price or other trade information to IIROC or a securities regulatory authority?

---

<sup>1</sup> See: Compliance Interpretation Bulletin C-119 *op. cit.*, <http://iiroc.knotia.ca/Knowledge/View/Document.cfm?kType=445&linkType=ftch&dbID=200706348&documentID=20&paragraphID=2>, which indicates “...confirmations for average price trades [must] indicate that the transaction price is an average price.”



## **Policy Development Process**

The Market Rules Advisory Committee (“MRAC”) of IIROC reviewed the Proposed Guidance. MRAC is an advisory committee comprised of representatives of each of: the marketplaces for which IIROC acts as a regulation services provider, Participants, institutional investors and subscribers, and the legal and compliance community<sup>2</sup>.

Comments are requested on all aspects of the Proposed Guidance, including any matter not addressed in the Proposed Guidance. Comments should be in writing and delivered by **45 days following publication of the notice, on November 8, 2013** to:

Naomi Solomon  
Senior Policy Counsel, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 2000  
121 King Street West,  
Toronto, Ontario M5H 3T9  
Email : [nsolomon@iiroc.ca](mailto:nsolomon@iiroc.ca)  
Fax: 416-943-4659

***Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading “Policy” and sub-heading “Market Proposals/Comments”) upon receipt. A summary of the comments contained in each submission will also be included in a future IIROC Notice.***

After considering the comments on the Proposed Guidance received in response to this Request for Comments, IIROC may make revisions to the Proposed Guidance prior to the issuance of the final Guidance Note.

## **Appendix**

Appendix “A” sets out the text of the Proposed Guidance.

---

<sup>2</sup> The review by MRAC of the Proposed Guidance should not be construed as approval or endorsement of the Proposed Guidance. Members of MRAC are expected to provide their personal advice on topics and that advice may not represent the views of their respective organizations as expressed during the public comment process.



# IIROC NOTICE

## Rules Notice Guidance Note

UMIR and Dealer Member Rules

*Please distribute internally to:*

Institutional  
Legal and Compliance  
Operations  
Retail  
Senior Management  
Trading Desk

*Contact:*

Naomi Solomon  
Senior Policy Counsel, Market Regulation Policy  
Telephone: 416.646.7280  
fax: 416.646.7265  
e-mail: [nsolomon@iiroc.ca](mailto:nsolomon@iiroc.ca)

Jamie Bulnes  
Director, Member Regulation Policy  
Telephone: 416.943.6928  
Fax: 416.943.6760  
e-mail: [jbulnes@iiroc.ca](mailto:jbulnes@iiroc.ca)

**13-0\*\*\*  
\*\*, 2013**

## Guidance on Marketplace and Average Price Disclosure for Trade Confirmations

### Executive Summary

For the purposes of marketplace and average price trade disclosure on trade confirmations for listed and quoted securities<sup>3</sup>, Dealer Members may use the following language:

- Marketplace disclosure: “Traded on one or more marketplaces or markets, details available upon request.”
- Average price disclosure: “May be an average price, details available upon request.”

<sup>3</sup> “Listed security” is defined in UMIR as a security listed on an Exchange. “Exchange” is defined in UMIR as a person recognized by the applicable securities regulatory authority under securities legislation to carry on business as an exchange. “Quoted security” is defined in UMIR as a security quoted on a recognized quotation and trade reporting system. The marketplace(s) on which an order is entered or a trade executed should not be disclosed on the trade confirmation as “over-the-counter”.



This acceptable marketplace and average price disclosure language may be combined on trade confirmations.

## Impact

Previously issued guidance respecting marketplace and average price disclosure on trade confirmations (“Previous Guidance”)<sup>4</sup> is consolidated in this Guidance Note, which further clarifies acceptable average price disclosure language for use on trade confirmations. Dealer Members are permitted to adopt general marketplace and average price disclosure on all trade confirmations whether a trade is effected on one or more marketplaces or markets and whether a trade price is an average price of multiple trades or the price of a single trade.

Clients will continue to be able to obtain further details of the execution of any order at no cost from Dealer Members, and trade confirmations will continue to contain requisite information such as price and any commission charged.

## Acceptable Marketplace and Average Price Disclosure

Since IIROC issued the Previous Guidance which indicated acceptance of general marketplace disclosure on trade confirmations in the following form: **“Traded on one or more marketplaces or markets, details available upon request”**<sup>5</sup>, IIROC received requests for relief from the form of trade confirmation disclosure referenced in the Previous Guidance concerning average price trade reporting associated with Dealer Member Rule 200.1(h)<sup>6</sup>. To reduce costs in the multiple marketplace environment, some Dealer Members have adopted trade processing functionality that aggregates transaction information onto one trade confirmation, but face at that point in the process operational limitations in identifying which transactions were aggregated for the purpose of average price disclosure. Thus Dealer

---

<sup>4</sup> See Compliance Interpretation Bulletin C-119 – *Average Price Trade Reporting* (February 13, 1998), and IIROC Notice 12-0236 – Rules Notice – Guidance Note – UMIR – *Guidance on Marketplace Disclosure for Trade Confirmations* (July 27, 2012).

<sup>5</sup> The guidance in IIROC Notice 12-0236 *op. cit.*, was adopted in relation to an amendment to Dealer Member Rule 200.1(h) made in recognition of the multiple marketplace environment, to allow the provision of disclosure on trade confirmations of “the marketplace or marketplaces on which a trade is executed, or use marketplace disclosure language acceptable to the Corporation”. The term “marketplace” is defined in UMIR as an exchange, quotation and trade reporting system or alternative trading system in Canada. The term “market” is not defined in UMIR but includes a “foreign organized regulated market” on which a trade in a security subject to UMIR may be executed.

<sup>6</sup> IIROC members are exempt from trade confirmation requirements under National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) if they comply with corresponding IIROC requirements. NI 31-103 provides that written confirmation of the transaction may be set out in the aggregate but details must be provided upon request. Dealer Member Rule 200.1(h) sets out IIROC’s trade confirmation requirements. In addition, Part 3 of Policy 7.1 of UMIR requires a Participant to have appropriate policies and procedures to comply with trade disclosures on confirmations. Comparatively, FINRA Rule 2232 “Customer Confirmations” does not mandate market disclosure or that a transaction price is an average price on customer confirmations.



Members have requested the ability to use general average price disclosure language on all trade confirmations so that they are not required to produce separate price disclosure language when a transaction reflects only one trade execution.

In order to alleviate these operational issues and to align with the general marketplace disclosure IIROC has accepted, IIROC will permit use of the following average price disclosure language on transaction confirmations: “**May be an average price, details available upon request.**” Dealer Members continue to be subject to the provisions of Dealer Member Rule 200.1(h) which requires that each trade confirmation must include, among other things: the quantity and description of the security; the consideration; and any commission charged in respect of the trade.

This acceptable average price disclosure language and acceptable marketplace disclosure language on trade confirmations may be used in circumstances when an order is executed on:

- a single marketplace in Canada;
- multiple marketplaces in Canada;
- a foreign organized regulated market (which includes markets in the United States); or
- any combination of one or more marketplace and foreign organized regulated markets.

If an order has been executed in whole or in part on a foreign organized regulated market, IIROC recommends that the disclosure include the quantity of securities traded on the foreign organized regulated market together with the applicable foreign exchange rate for any currency conversion.

Dealer Members that are able to correctly identify specific marketplaces or markets of execution for disclosure on trade confirmations may continue to do so. Dealer Members that are able to correctly identify average price transactions for the purpose of average price disclosure on trade confirmations may continue to provide disclosure on the trade confirmation that a trade is at an average price with notice that details are available upon request.



## **Audit Trail Requirements**

Dealer Members must respect audit trail requirements<sup>7</sup> and accordingly maintain appropriate records, including for the purpose of providing details of the execution of any order to the regulator or client upon request<sup>8</sup>.

Clients may inquire as to the identity of the marketplaces or markets of execution and whether a trade price is an average price and request further particulars. In all cases, Dealer Members are to continue identifying and providing particulars of marketplaces or markets of execution and of average price trades in a timely manner at no cost to clients making request for such details.

## **Impact on Existing Guidance**

***This Guidance repeals and replaces the guidance set out in:***

- ***Compliance Interpretation Bulletin C-119 – Average Price Trade Reporting (February 13, 1998)***; and
- ***IIROC Notice 12-0236 – Rules Notice – Guidance Note – UMIR – Guidance on Marketplace Disclosure for Trade Confirmations (July 27, 2012)***.

---

<sup>7</sup> Part 3 of Policy 7.1 of UMIR requires a Participant to have appropriate policies and procedures to ensure compliance with the requirements under UMIR, including Rule 10.11 which requires a Participant to comply with the audit trail requirements set out under Part 11 of National Instrument 23-101 - Trading Rules (“Trading Rules”). See reference in subsection 11.2(1) of the Trading Rules to recording requirements for receipt or origination of an order and subsection 11.2(4) to recording requirements for execution of an order. Dealer Member Rule 200.1(g) also requires an adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities showing, among other things, the price at which the order or instruction was executed.

<sup>8</sup> Section 11.3 of the Trading Rules requires a dealer to transmit information required to be transmitted to the regulation services provider and securities regulatory authority in electronic form. Section 8.3 of the Companion Policy to the Trading Rules elaborates that dealers are required to provide information in a form that is accessible to the securities regulatory authorities and the regulation services provider (for example, in SELECTR format).