

## PART 1 – DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In UMIR, unless the subject matter or context otherwise requires:

**Regulatory History:** *In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to section 1.1 that came into force on June 1, 2008 to replace the phrase “these Rules” with “UMIR”.*

**“Access Person”** means a person other than a Participant who is:

- (a) a subscriber; or
- (b) a user.

**Defined Terms:** *NI 21-101 section 1.1 - “subscriber” and “user”  
 UMIR section 1.1 – “Participant”  
 UMIR section 1.2(2) – “person”*

**“arbitrage account”** means an account in which the holder makes a usual practice of buying and selling:

- (a) securities in different markets to take advantage of differences in prices available in each market; or
- (b) securities which are or may become convertible or exchangeable by the terms of the securities or operation of law into other securities in order to take advantage of differences in prices between the securities.

**“Basis Order”** means an order for the purchase or sale of listed securities or quoted securities:

- (a) where the intention to enter the order has been reported by the Participant or Access Person to a Market Regulator prior to the entry of the order;
- (b) that will be executed at a price which is determined in a manner acceptable to a Market Regulator based on the price achieved through the execution on that trading day of one or more transactions in a derivative instrument that is listed on an Exchange or quoted on a QTRS; and
- (c) that comprise at least 80% of the component security weighting of the underlying interest of the derivative instruments subject to the transaction or transactions described in clause (b).

**Defined Terms:** *NI 21-101 section 1.1 – “order”  
 UMIR section 1.1 – “Access Person”, “Exchange”, “listed security”, “Market Regulator”, “Participant”, “QTRS”, “quoted security”, “restricted security” and “trading day”*

**Regulatory History:** *Effective April 8, 2005, the applicable securities commissions approved amendments to section 1.1 to add the definition of “Basis Order”.*

**“basket trade”** means a simultaneous purchase of at least 10 listed securities or quoted securities, provided that any restricted security comprises not more than 20% of the total value of the transaction.

**Defined Terms:** UMIR section 1.1 – “listed security”, “quoted security” and “restricted security”

**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “basket trade”.

**“best ask price”** means the lowest price of an order on any marketplace as displayed in a consolidated market display to sell a particular security, but does not include the price of any order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.

**Defined Terms:** NI 21-101 section 1.1 - “order”

UMIR section 1.1 – “Basis Order”, “Closing Price Order”, “consolidated market display”, “Market-on-Close Order”, “marketplace”, “Opening Order”, “Special Terms Order” and “Volume-Weighted Average Price Order”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to the definition of “best ask price” in section 1.1 to delete the phrase “Special Terms Order” and substitute “Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order”.

**“best bid price”** means the highest price of an order on any marketplace as displayed in a consolidated market display to buy a particular security, but does not include the price of any order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order.

**Defined Terms:** NI 21-101 section 1.1 - “order”

UMIR section 1.1 – “Basis Order”, “Closing Price Order”, “consolidated market display”, “Market-on-Close Order”, “marketplace”, “Opening Order”, “Special Terms Order” and “Volume-Weighted Average Price Order”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to the definition of “best bid price” in section 1.1 to delete the phrase “Special Terms Order” and substitute “Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order”.

**“better price”** means, in respect of a particular security:

- (a) a price lower than the best ask price, in the case of a purchase; and
- (b) a price higher than the best bid price, in the case of a sale.

**Defined Terms:** UMIR section 1.1 – “best ask price” and “best bid price”

**“Board”** means the board of directors or other governing body of a Market Regulator.

**Defined Terms:** UMIR section 1.1 – “Market Regulator”

**“bypass order”** means an order that is:

- (a) part of a designated trade; or
- (b) to satisfy an obligation to fill an order imposed on a Participant or Access Person by any provision of UMIR or a Policy

and that is entered on a protected marketplace to execute as against the disclosed volume on that marketplace prior to the execution or cancellation of the balance of the order.

**Defined Terms:** NI 21-101 section 1.1 - “order”

UMIR section 1.1 – “Access Person”, “designated trade”, “disclosed volume”, “marketplace”, “Participant”, “Policy”, “protected marketplace” and “UMIR”

**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “bypass order”.

In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “bypass order” that came into force on June 1, 2008 to replace the phrase “Rule or” with “provision of UMIR or a”.

**“Canadian account”** means an account other than a non-Canadian account.

**Defined Terms:** UMIR section 1.1 – “non-Canadian account”

**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “Canadian account”.

**“Call Market Order”** means an order for the purchase or sale of one or more particular securities that is entered on a marketplace on a trading day to trade at a particular time or times established by the marketplace during that trading day at a price established by the trading system of the marketplace.

**Defined Terms:** NI 21-101 section 1.1 - “order”

UMIR section 1.1 – “marketplace” and “trading day”

UMIR section 1.2(2) – “trade”

**“client order”** means an order for the purchase or sale of a security received or originated by a Participant for the account of a client of the Participant or a client of an affiliated entity of the Participant, but does not include a principal order or a non-client order.

**Defined Terms:** NI 21-101 section 1.1 - “order”

NI 21-101 section 1.3 – “affiliated entity”

UMIR section 1.1 – “Participant”, “principal order” and “non-client order”

**“Closing 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 conditions that the order trade at the closing sale price of that security on that marketplace for that trading day and that the trade is executed subsequent to the establishment of the closing price.

**Defined Terms:** NI 21-101 section 1.1 – “order”

UMIR section 1.1 – “listed security”, “marketplace”, “quoted security” and “trading day”

UMIR section 1.2(2) – “trade”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “Closing Price Order”.

**“connected security”** means, in respect of an offered security:

- (a) a listed security or quoted security into which the offered security is immediately convertible, exchangeable or exercisable unless the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the listed security or quoted security at the commencement of the restricted period;
- (b) a listed security or quoted security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security;
- (c) if the offered security is a special warrant, a listed security or quoted security which would be issued on the exercise of the special warrant; and
- (d) if the offered security is an equity security, any other equity security of the issuer that is a listed security or quoted security.

**Defined Terms:** UMIR section 1.1 – “best ask price”, “equity security”, “listed security”, “offered security”, “quoted security” and “restricted period”

**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “connected security”.

**“consolidated market display”** means, in respect of a particular security, information on orders or trades from each marketplace on which such particular security trades that has been:

- (a) produced by an information processor in a timely manner in accordance with Part 14 of the Marketplace Operation Instrument; or
- (b) if there is no information processor, produced by an information vendor in accordance with Part 7 of the Marketplace Operation Instrument.

**Defined Terms:** NI 21-101 section 1.1 – “information processor” and “order”

UMIR section 1.1 – “marketplace” and “Marketplace Operation Instrument”

UMIR section 1.2(2) – “trade”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to replace the definition of “consolidated market display”. Prior to that date, the definition provided:

**“consolidated market display”** means, in respect of a particular security:

- (a) *the consolidated feed respecting orders and trades produced by an information processor in accordance with section 7.3 of the Marketplace Operation Instrument provided such consolidated feed includes details of orders and trades from the principal market; or*
- (b) *information regarding orders and trades on a marketplace produced by an information vendor for the purposes of the Marketplace Operation Instrument provided such information includes details of orders and trades from the principal market.*

**"dealer-restricted person"** means, in respect of a particular offered security:

- (a) a Participant that:
- (i) is an underwriter, as defined in applicable securities legislation, in a prospectus distribution or a restricted private placement,
  - (ii) is participating, as agent but not as an underwriter, in a restricted private placement of securities and:
    - (A) the number of securities to be issued under the restricted private placement would constitute more than 10% of the issued and outstanding offered securities, and
    - (B) the Participant has been allotted or is otherwise entitled to sell more than 25% of the securities to be issued under the restricted private placement,
  - (iii) has been appointed by an offeror to be the dealer-manager, manager or soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or
  - (iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that would be a distribution exempt from prospectus requirements in accordance with applicable securities law,
- where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction;
- (b) a related entity of the Participant referred to in clause (a) but does not include such related entity, or any separate and distinct department or division of the Participant if:
- (i) the Participant maintains and enforces written policies and procedures in accordance with Rule 7.1 that are reasonably designed to prevent the flow of information from the Participant regarding the offered security and the related transaction,
  - (ii) the Participant has no officers or employees that solicit client orders or recommend transactions in securities in common with the related entity, department or division, and

- (iii) the related entity, department or division does not during the restricted period in connection with the restricted security:
  - (A) act as a market maker (other than pursuant to Market Maker Obligations),
  - (B) solicit client orders, or
  - (C) enter principal orders or otherwise engage in proprietary trading;
- (c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity, of the Participant referred to in clause (a) or for a related entity of the Participant referred to in clause (b); or
- (d) any person acting jointly or in concert with a person described in clause (a), (b) or (c) for a particular transaction.

<p><b>Defined Terms:</b> N 14-101 section 1.1(3) – “issuer bid”          UMIR section 1.1 – “client order”, “employee”, “offered security”, “Market Maker Obligations”, “Participant”, “principal order”, “related entity”, “restricted period”, “restricted private placement” and “securities exchange take-over bid”          UMIR section 1.2(2) – “person”</p> <p><b>Related Provisions:</b> UMIR Policy 1.2 Part 1 – “acting jointly or in concert”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “dealer-restricted person”.</p>
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**“derivatives market maker”** means a person who performs the function ordinarily associated with a market maker or specialist on an Exchange or QTRS in connection with a derivative instrument.

<p><b>Defined Terms:</b> UMIR section 1.1 – “Exchange” and “QTRS”          UMIR section 1.2(2) – “person”</p>
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**“designated trade”** means an intentional cross or a pre-arranged trade of a security that would be made at a price that:

- (a) would not be less than the lesser of:
  - (i) 95% of the best bid price, and
  - (ii) 10 trading increments less than the best bid price; and
- (b) would not be more than the greater of:
  - (i) 105% of the best ask price, and
  - (ii) 10 trading increments more than the best ask price.

<p><b>Defined Terms:</b> UMIR section 1.1 – “best ask price”, “best bid price”, “intentional cross”, “pre-arranged trade” and “trading increment”</p> <p><b>Regulatory History:</b> Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “designated trade”.</p>
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**“disclosed volume”** means the aggregate of the number of units of a security relating to each order for that security entered on a protected marketplace and displayed in a consolidated market display that is offered at a price below the intended price of a trade in the case of a purchase or that is bid at a price above the intended price of a trade in the case of a sale, but does not include the volume of:

- (a) a Basis Order;
- (b) a Call Market Order;
- (c) a Market-on-Close Order;
- (d) an Opening Order;
- (e) a Special Terms Order; or
- (f) a Volume-Weighted Average Price Order.

**Defined Terms:** UMIR section 1.1 – “Basis Order”, “Call Market Order”, “consolidated market display”, “Market-on-Close Order”, “Opening Order”, “protected marketplace”, “Special Terms Order” and “Volume-Weighted Average Price Order”  
UMIR section 1.2 – “trade”  
**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “disclosed volume”.

**“document”** includes a sound recording, videotape, film, photograph, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.

**Regulatory History:** Effective March 11, 2005, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “document”.  
In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “document” that came into force on June 1, 2008 to replace the word “photographs” with “photograph”.

**“employee”** includes any person who has entered into principal/agent relationship with a Participant in accordance with the terms and conditions established for such a relationship by any self-regulatory entity of which the Participant is a member.

**Defined Terms:** NI 21-101 section 1.1 – “self-regulatory entity”  
UMIR section 1.1 – “Participant”  
UMIR section 1.2(2) – “person”  
**Regulatory History:** Effective May 16, 2003, the applicable securities commissions approved the amendment to add the definition of “employee”.

**“equity security”** means any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding-up of the issuer, in its assets.

**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “equity security”.

**“Exchange”** means a person recognized by the applicable securities regulatory authority under securities legislation to carry on business as an exchange.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities legislation” and “securities regulatory authority”  
UMIR section 1.2(2) – “person”

**“Exchange-traded Fund”** means a mutual fund:

- (a) the units of which are:
  - (i) a listed security or a quoted security, and
  - (ii) in continuous distribution in accordance with applicable securities legislation; and
- (b) designated by the Market Regulator.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities legislation”  
UMIR section 1.1 – “listed security”, “Market Regulator” and “quoted security”

**Regulatory History:** Effective August 27, 2004, the applicable securities commissions approved the amendment to section 1.1 to add the definition of “Exchange-traded Fund”.

**General Commentary:** A current list of the securities which have been designated as an “Exchange-traded Fund” is available on the website of the Investment Industry Regulatory Organization of Canada (at <http://www.iiroc.ca>) and may be accessed through the “Quick Links” on the homepage.

**“foreign organized regulated market”** means a market outside of Canada:

- (a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions;
- (b) on which the entry of orders and the execution or reporting of trades is monitored for compliance with regulatory requirements at the time of entry and execution or reporting by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution or reporting of trades on that market for compliance with regulatory requirements; and
- (c) that displays and provides timely information to information vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market,

but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless:

- (d) the trade is required to be reported and is reported to the market forthwith following execution;
- (e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and
- (f) at the time of the report, timely information respecting the trade is provided to information vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.2 – “trade”

**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “foreign organized regulated market”.

“**hearing**” means a disciplinary and enforcement proceeding commenced by a Market Regulator to determine whether a person has contravened a Requirement or is liable for the contravention of a Requirement and includes any procedural applications or motions in relation to those proceedings.

**Defined Terms:** UMIR section 1.1 – “Market Regulator” and “Requirement”  
UMIR section 1.2(2) – “person”

“**Hearing Committee**” means a standing committee of a Market Regulator comprised of persons selected in accordance with Schedule C.1 to the Investment Industry Regulatory Organization of Canada’s Transition Rule 1 – Hearing Committees and Hearing Panels Rule.

**Defined Terms:** UMIR section 1.1 – “Market Regulator”

**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved amendments to the definition of “Hearing Committee” that came into force on June 1, 2008 to replace phrase “the Policy made under Rule 10.8” with “Schedule C.1 to the Investment Industry Regulatory Organization of Canada’s Transition Rule 1 – Hearing Committees and Hearing Panels Rule”.

**Related Provisions:** Schedule C.1 to Transition Rule 1 of the Investment Industry Regulatory Organization of Canada

“**Hearing Panel**” means the particular members of the Hearing Committee selected in accordance with Schedule C.1 to the Investment Industry Regulatory Organization of Canada’s Transition Rule 1 – Hearing Committees and Hearing Panels Rule to hear a particular disciplinary and enforcement proceeding.

**Defined Terms:** UMIR section 1.1 – “Hearing Committee”

**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved amendments to the definition of “Hearing Panel” that came into force on June 1, 2008 to replace phrase “the Policy made under Rule 10.8” with “Schedule C.1 to the Investment Industry Regulatory Organization of Canada’s Transition Rule 1 – Hearing Committees and Hearing Panels Rule”.

**Related Provisions:** Schedule C.1 to Transition Rule 1 of the Investment Industry Regulatory Organization of Canada

**“hedge”** means the purchase or sale of a security by a person to offset, in whole or in part, the risk assumed on a prior purchase or sale or to be assumed on a subsequent purchase or sale of that security or a related security.

**Defined Terms:** UMIR section 1.1 – “related security”  
UMIR section 1.2(2) – “person”

**“highly-liquid security”** means a listed security or quoted security that:

- (a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period:
  - (i) an average of at least 100 times per trading day, and
  - (ii) with an average trading value of at least \$1,000,000 per trading day; or
- (b) is subject to Regulation M under the 1934 Act and is considered to be an “actively-traded security” under that regulation.

**Defined Terms:** NI 14-101 section 1.1 – “1934 Act”  
UMIR section 1.1 – “consolidated market display”, “listed security”, “marketplace”, “quoted security”, “restricted period” and “trading day”

**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “highly-liquid security”.

**General Commentary:** A list of the securities which on any particular trading day qualify as a “highly-liquid security” is available on the website of the Investment Industry Regulatory Organization of Canada (at <http://www.iiroc.ca>) and may be accessed through the “Quick Links” on the homepage.

**“insider”** means a person who is an insider of an issuer for the purpose of applicable securities legislation.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities legislation”  
UMIR section 1.2(2) – “person”

**“intentional cross”** means a trade resulting from the entry by a Participant or Access Person of both the order to purchase and the order to sell a security, but does not include a trade in which the Participant has entered one of the orders as a jitney order.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “Access Person”, “Participant” and “jitney order”  
UMIR section 1.2(2) – “trade”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to the definition of “intentional cross” in section 1.1 to insert the phrase “or Access Person” after the first occurrence of the word “Participant”.

**“internal cross”** means an intentional cross between two accounts which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the holders of the accounts and includes a trade in respect of which the Participant or Access Person is acting as a portfolio manager in authorizing the trade between the two accounts.

<p><b>Defined Terms:</b> UMIR section 1.1 – “Access Person”, “intentional cross” and “Participant” UMIR section 1.2(2) – “trade”</p> <p><b>Regulatory History:</b> Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to replace the definition of “internal cross”. Prior to that date, the definition provided:</p> <p><i>“internal cross” means an intentional cross between two client accounts of a Participant which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the clients and includes a trade where the Participant is acting as a portfolio manager in authorizing the trade between the two client accounts.</i></p>
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**“issuer-restricted person”** means, in respect of a particular offered security:

- (a) the issuer of the offered security;
- (b) a selling securityholder of the offered security in connection with a prospectus distribution or restricted private placement;
- (c) an affiliated entity, an associated entity or insider of the issuer or selling securityholder of the offered security as determined in accordance with the provisions of applicable securities legislation but does not include a person who is an insider of an issuer by virtue of clause (c) of the definition of “insider” under the *Securities Act* (Ontario) and similar provisions of applicable securities legislation if that person:
  - (i) does not have, and has not had in the previous 12 months, any board or management representation in respect of the issuer or selling securityholder; and
  - (ii) does not have knowledge of any material information concerning the issuer or its securities that has not been generally disclosed; or
- (d) any person acting jointly or in concert with a person described in clause (a), (b) or (c) for a particular transaction.

<p><b>Defined Terms:</b> NI 14-101 section 1.1(3) – “securities legislation” N1 21-101 section 1.3 – “affiliated entity” UMIR section 1.1 – “insider”, “offered security” and “restricted private placement” UMIR section 1.2(2) – “person”</p> <p><b>Related Provisions:</b> UMIR section 1.2(7) – interpretation of “associated entity” UMIR Policy 1.2 Part 1 – interpretation of “acting jointly or in concert”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “issuer-restricted person”.</p>
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**“jitney order”** means an order entered on a marketplace by a Participant acting for or on behalf of another Participant.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “marketplace” and “Participant”

**“last independent sale price”** means the last sale price of a trade, other than a trade that a dealer-restricted person knows or ought reasonably to know has been executed by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.

**Defined Terms:** UMIR section 1.1 – “dealer-restricted person”, “issuer-restricted person” and “last sale price”  
UMIR section 1.2(2) – “person” and “trade”  
**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “last independent sale price”.

**“last sale price”** means the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is:

- (a) a Basis Order;
- (b) a Call Market Order;
- (c) a Closing Price Order;
- (d) a Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order; or
- (e) a Volume-Weighted Average Price Order.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “Basis Order”, “Call Market Order”, “Closing Price Order”, “consolidated market display”, “Special Terms Order”, “standard trading unit” and “Volume-Weighted Average Price Order”  
**Related Provisions:** UMIR section 1.2(4)  
**Regulatory History:** Effective April 8, 2005, the applicable securities commissions approved an amendment to the definition of “last sale price” in section 1.1 to delete the phrase “Call Market Order” and substitute “Basis Order, Call Market Order or Volume-Weighted Average Price Order”.  
**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to replace the definition of “last sale price”. Prior to that date, the definition provided:  
**“last sale price”** means the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is a Basis Order, Call Market Order or Volume-Weighted Average Price Order.

**“limit order”** means an order to:

- (a) buy a security to be executed at a specified maximum price; or
- (b) sell a security to be executed at a specified minimum price.

**Related Provisions:** UMIR section 1.2(3)

**“listed security”** means a security listed on an Exchange.

**Defined Terms:** UMIR section 1.1 – “Exchange”

**“Market Integrity Official”** means an employee of a Market Regulator designated by the Market Regulator to exercise the powers of the Market Regulator under UMIR.

**Defined Terms:** UMIR section 1.1 - “Market Regulator” and “UMIR”

**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “Market Integrity Official” that came into force on June 1, 2008 to replace the phrase “these Rules” with “UMIR”.

**“Market Maker Obligations”** means obligations imposed by Marketplace Rules on a member or user or a person employed by a member or user to guarantee:

- (a) a two-sided market for a particular security on a continuous or reasonably continuous basis; and
- (b) the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as designated by the marketplace.

**Defined Terms:** NI 21-101 section 1.1 – “member”, “order” and “user”  
UMIR section 1.1 – “marketplace” and “Marketplace Rules”

**“Market-on-Close 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 closing price of the security on that marketplace on that trading day.

**Defined Terms:** NI 21-101 section 1.1 – “order”

UMIR section 1.1 – “marketplace” and “trading day”

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to amend the definition of “Market-on-Close Order” to add the phrase “calculating and” prior to “executing”.

**“Market Operation Instrument”** means National Instrument 21-101 – Marketplace Operation as amended, supplemented and in effect from time to time.

**“market order”** means an order to:

- (a) buy a security to be executed upon entry to a marketplace at the best ask price; or

- (b) sell a security to be executed upon entry to a marketplace at the best bid price.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “best ask price”, “best bid price” and “marketplace”  
**Related Provisions:** UMIR section 1.2(3)

**“Market Regulator”** means:

- (a) an Exchange, unless such Exchange monitors the conduct of its members indirectly through a regulation services provider in which case, the regulation services provider;
- (b) a QTRS, unless such QTRS monitors the conduct of its users indirectly through a regulation services provider in which case, the regulation services provider; and
- (c) in respect of any other marketplace, the regulation services provider with whom that marketplace has entered an agreement in accordance with the requirements of the Trading Rules.

**Defined Terms:** NI 21-101 section 1.1 – “member”, “regulation services provider” and “user”  
UMIR section 1.1 – “Exchange”, “marketplace”, “QTRS” and “Trading Rules”

**“marketplace”** means:

- (a) an Exchange;
- (b) a QTRS; and
- (c) an ATS.

**Defined Terms:** NI 21-101 section 1.1 – “ATS”  
UMIR section 1.1 – “Exchange” and “QTRS”

**“Marketplace Rules”** means the rules, policies and other similar instruments adopted by an Exchange or a QTRS as approved by the applicable securities regulatory authority but not including any rules, policies or other similar instruments related solely to the listing of securities on an Exchange or to the quoting of securities on a QTRS.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities regulatory authority”  
UMIR section 1.1 – “Exchange” and “QTRS”

**“net cost”** means the amount by which the sum of the total cost of the trade on the purchase of securities based on the purchase price on the marketplace and any commission charged to the client by the Participant exceeds the amount of any allowance, discount, rebate and any other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person.

**Defined Terms:** UMIR section 1.1 – “marketplace” and “Participant”  
UMIR section 1.2(2) – “person” and “trade”

“**net proceeds**” means the amount by which the sum of the total proceeds of the trade on the sale of securities based on the sale price on the marketplace and the amount of any allowance, discount, rebate and other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person exceeds any commission charged to the client by the Participant.

**Defined Terms:** UMIR section 1.1 – “marketplace” and “Participant”  
UMIR section 1.2(2) – “person” and “trade”

“**non-Canadian account**” means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).

**Defined Terms:** NI 21-101 section 1.3 – “affiliated entity”  
UMIR section 1.1 – “Participant”  
**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “non-Canadian account”.

“**non-client order**” means an order for the purchase or sale of a security received or originated by a Participant for an account:

- (a) for a partner, director, officer or a person holding a similar position or acting in a similar capacity of the Participant or of a related entity of the Participant;
- (b) for an employee of the Participant or of a related entity of the Participant who holds approval from an Exchange or a self-regulatory entity; or
- (c) which is considered to be an employee account or a non-client account by a self-regulatory entity,

but does not include a principal account.

**Defined Terms:** NI 21-101 section 1.1 – “order” and “self-regulatory entity”  
UMIR section 1.1 – “employee”, “Exchange”, “Participant”, “principal account” and “related entity”

“**offered security**” means all securities of the class of security that is, or will be upon issuance, a listed security or a quoted security and:

- (a) is offered pursuant to a prospectus distribution or a restricted private placement;

- (b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation;
- (c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation; or
- (d) would be issuable to a securityholder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus requirements in accordance with applicable securities legislation,

provided that, if the security described in clauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered to be an “offered security”.

<p><b>Defined Terms:</b> NI 14-101 section 1.1(3) – “issuer bid” and “securities legislation” UMIR section 1.1 – “listed security”, “quoted security”, “restricted private placement” and “securities exchange take-over bid”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to repeal and replace the definition of “offered security”. Prior to that date, the definition provided: <i>“offered security” means the security offered in a securities exchange take-over bid.</i></p>
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**“Opening Order”** means an order for the purchase or sale of a security entered on a marketplace prior to the opening of trading on that 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><b>Defined Terms:</b> NI 21-101 section 1.1 – “order” UMIR section 1.1 – “marketplace” and “trading day”</p> <p><b>Regulatory History:</b> Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to replace the definition of “Opening Order”. Prior to that date, the definition provided: <i>“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.</i></p>
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**“Participant”** means:

- (a) a dealer registered in accordance with securities legislation of any jurisdiction and who is:
  - (i) a member of an Exchange,
  - (ii) a user of a QTRS, or

- (iii) a subscriber of an ATS; or
- (b) a person who has been granted trading access to a marketplace and who performs the functions of a derivatives market maker.

**Defined Terms:** NI 14-101 section 1.1(3) – “jurisdiction” and “securities legislation”  
NI 21-101 section 1.1 – “ATS”, “member”, “user” and “subscriber”  
UMIR section 1.1 – “derivatives market maker”, “Exchange”, “marketplace” and “QTRS”

**“Policy”** means a policy statement adopted by a Market Regulator in connection with the administration or application of UMIR as such policy statement is amended, supplemented and in effect from time to time.

**Defined Terms:** UMIR section 1.1 – “Market Regulator” and “UMIR”  
**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “Policy” that came into force on June 1, 2008 to replace the phrase “these Rules” with “UMIR”.

**“pre-arranged trade”** means a trade in respect of which the terms of the trade were agreed upon, prior to the entry of either the order to purchase or to sell on a marketplace, by the persons entering the orders or by the persons on whose behalf the orders are entered.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “marketplace”  
UMIR section 1.2 – “person” and “trade”  
**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “pre-arranged trade”.

**“principal account”** means an account in which a Participant or a related entity of the Participant holds a direct or indirect interest other than an interest in the commission charged on a transaction.

**Defined Terms:** UMIR section 1.1 – “Participant” and “related entity”

**“principal order”** means an order for the purchase or sale of a security received or originated by a Participant for a principal account.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “Participant” and “principal account”

**“Program Trade”** means a trade resulting from a series of market orders for the purchase or sale of particular securities underlying an index that has been designated by a Market Regulator where such trade is undertaken in conjunction with a trade in a derivative the underlying interest of which is the index.

**Defined Terms:** UMIR section 1.1 – “market order” and “Market Regulator”  
UMIR section 1.2(2) – “trade”

**General Commentary:** A current list of the indices which have been designated as an “index” is available on the website of the Investment Industry Regulatory Organization of Canada (at <http://www.iiroc.ca>) and may be accessed through the “Quick Links” on the homepage.

**“protected marketplace”** means a marketplace that:

- (a) disseminates order data in real-time and electronically to the information processor or one or more information vendors in accordance with the Marketplace Operation Instrument;
- (b) permits dealers to have access to trading in the capacity as agent;
- (c) provides fully-automated electronic order entry; and
- (d) provides fully-automated order matching and trade execution.

**Defined Terms:** NI 21-101 section 1.1 – “information processor” and “order”  
UMIR section 1.1 – “marketplace” and “Marketplace Operation Instrument”  
UMIR section 1.2 – “trade”

**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “protected marketplace”.

**“Protected Party”** means in respect of a Market Regulator:

- (a) the Market Regulator;
- (b) a director, officer or employee of the Market Regulator;
- (c) a member of the Hearing Committee or of a committee appointed by the Board; or
- (d) an independent contractor retained by the Market Regulator to provide services to the Market Regulator.

**Defined Terms:** UMIR section 1.1 – “Board”, “employee”, “Hearing Committee” and “Market Regulator”

**“QTRS”** means a recognized quotation and trade reporting system.

**Defined Terms:** NI 21-101 section 1.1 – “recognized quotation and trade reporting system”

**“quoted security”** means a security quoted on a QTRS.

**Defined Terms:** UMIR section 1.1 – “QTRS”

**“Regular Session”** means the time period during a trading day when a marketplace is ordinarily open for trading, but does not include any extended or special trading facility of the marketplace.

**Defined Terms:** UMIR section 1.1 – “marketplace” and “trading day”

**“Regulated Person”** means, in respect of the jurisdiction of a Market Regulator in connection with the conduct of a person:

- (a) any marketplace for which the Market Regulator is the regulation services provider or was the regulation services provider at the time of the conduct;
- (b) any Participant or Access Person of a marketplace for which the Market Regulator is the regulation services provider or was the regulation services provider at the time of the conduct;
- (c) any person to whom responsibility for compliance with UMIR by other persons are extended in accordance with Rule 10.3 or to whom responsibility had been extended at the time of the conduct;
- (d) any person to whom the application of UMIR are extended in accordance with Rule 10.4 or to whom UMIR had been extended at the time of the conduct; and
- (e) any person subject to a Marketplace Rule of a marketplace for which the Market Regulator is the regulation services provider or was the regulation services provider at the time of the conduct.

**Defined Terms:** NI 21-101 section 1.1 – “regulation services provider”

UMIR section 1.1 – “Access Person”, “Market Regulator”, “marketplace”, “Marketplace Rules”, “Participant” and “UMIR”

UMIR section 1.2(2) – “person”

**Related Provisions:** UMIR 10.3 and 10.4

**Regulatory History:** Effective February 6, 2004, the applicable securities regulators approved the addition of clause (e) of the definition of “Regulated Person”.

In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “Regulated Person” that came into force on June 1, 2008 to replace the phrase “the Rules” with “UMIR”.

**“related entity”** means, in respect of a particular person:

- (a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and
- (b) a person who has been designated by a Market Regulator in accordance with subsection (3) of Rule 10.4 as a person who acts in conjunction with the particular person.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities legislation”

NI 21-101 section 1.3 – “affiliated entity”

UMIR section 1.1 – “Market Regulator”

UMIR section 1.2(2) – “person”

**Related Provisions:** UMIR 10.4(3)

**“related security”** means, in respect of a particular security:

- (a) a security which is convertible or exchangeable into the particular security;
- (b) a security into which the particular security is convertible or exchangeable;
- (c) a derivative instrument for which the particular security is the underlying interest;
- (d) a derivative instrument for which the market price varies materially with the market price of the particular security; and
- (e) if the particular security is a derivative instrument, a security which is the underlying interest of the derivative instrument or a significant component of an index which is the underlying interest of the derivative instrument.

**“Requirements”** means, collectively:

- (a) UMIR;
- (b) the Policies;
- (c) the Trading Rules;
- (d) the Marketplace Rules;
- (e) any direction, order or decision of the Market Regulator or a Market Integrity Official; and
- (f) securities legislation,

as amended, supplemented and in effect from time to time.

**Defined Terms:** NI 14-101 section 1.1(3) – “securities legislation”

UMIR section 1.1 – “Market Integrity Official”, “Market Regulator”, “Marketplace Rules”, “Policy”, “Trading Rules” and “UMIR”

**Regulatory History:** Effective April 1, 2005, the applicable securities commissions approved amendments to section 1.1 to amend the definition of “Requirement” by adding clause (f).

In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to the definition of “Requirements” that came into force on June 1, 2008 to replace the phrase “these Rules” with “UMIR”.

**“restricted period”** means, for a dealer-restricted person or an issuer-restricted person, the period:

- (a) in connection with a prospectus distribution or a restricted private placement of any offered security, commencing two trading days prior to the day the offering price of the offered security is determined and ending on the date the selling process has ended and all stabilization arrangements relating to the offered security are terminated provided that, if the person is a dealer-restricted person, the period shall commence on the date the Participant enters into an agreement or reaches an understanding to participate in the prospectus distribution or restricted private placement of securities, whether

or not the terms and conditions of such participation have been agreed upon if that date is later;

- (b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of dissemination of the securities exchange take-over bid circular or issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid; and
- (c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of dissemination of the information circular for such transaction and ending on the date for approval of the transaction by the securityholders that will receive the offered security or the termination of the transaction by the issuer or issuers.

<p><b>Defined Terms:</b> NI 14-101 section 1.1(3) – “issuer bid” UMIR section 1.1 – “dealer-restricted person”, “issuer-restricted person”, “offered security”, “Participant”, “restricted private placement”, “securities exchange takeover-bid” and “trading day”</p> <p><b>Related Provisions:</b> UMIR section 1.2(6) – interpretation of “restricted period” UMIR Policy 1.2 Part 2 – interpretation of “selling process has ended”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “restricted period”.</p>
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### “restricted person - repealed

<p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to repeal the definition of “restricted person”. Prior to that date, the definition provided:</p> <p>“restricted person” means, in respect of a securities exchange take-over bid:</p> <ul style="list-style-type: none"><li>(a) the Participant appointed by the offeror to be dealer-manager or manager in respect of such securities exchange take-over bid;</li><li>(b) a related entity of the Participant;</li><li>(c) a partner, director, officer or a person holding a similar position or acting in a similar capacity, of the Participant or of a related entity of the Participant; or</li><li>(d) an employee of the Participant or of a related entity of the Participant</li></ul>
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“restricted private placement” means a distribution of offered securities made pursuant to clause 72(1)(b) of the *Securities Act* (Ontario) or section 2.3 of Ontario Securities Commission Rule 45-501 - *Exempt Distributions* or similar provisions of applicable securities legislation.

<p><b>Defined Terms:</b> NI 14-101 section 1.1(3) – “securities legislation” UMIR section 1.1 – “offered security”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “restricted private placement”.</p>
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**“restricted security”** means:

- (a) the offered security; or
- (b) any connected security.

**Defined Terms:** UMIR section 1.1 – “connected security” and “offered security”  
**Regulatory History:** Effective February 25, 2005, the applicable securities commissions approved amendments to section 1.1 that came into force on May 9, 2005 to add the definition of “restricted security”.

**“Rules” - repealed.**

**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to section 1.1 that came into force on June 1, 2008 to repeal the definition of “Rules”. Prior to that date, the definition provided:  
*“Rules” means these Universal Market Integrity Rules as amended, supplemented and in effect from time to time.*

**“securities exchange take-over bid”** means a take-over bid where the consideration for the securities of the offeree is to be, in whole or in part, securities traded on a marketplace.

**Defined Terms:** NI 14-101 section 1.1(3)- “take-over bid”  
UMIR section 1.1 – “marketplace”

**“short sale”** means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

- (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;
- (b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- (c) has an option to purchase the security and has exercised the option;
- (d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or
- (e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

- (f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition;

- (g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security; or
- (h) the settlement date or issuance date pursuant to:
  - (i) an unconditional contract to purchase,
  - (ii) a tender of a security for conversion or exchange,
  - (iii) an exercise of an option, or
  - (iv) an exercise of a right or warrant
 would, in the ordinary course, be after the date for settlement of the sale.

**Defined Terms:** UMIR section 1.1 – “Exchange”, “QTRS” and “trades on a when issued basis”

**Regulatory History:** Effective August 27, 2004, the applicable securities commissions approved the amendment to add clause (h) to the definition of “short sale”.

**“significant shareholder”** means any person holding separately, or in combination with other persons, more than 20 per cent of the outstanding voting securities of an issuer.

**Defined Terms:** UMIR section 1.2(2) – “person”

**“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, Closing Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.

**Defined Terms:** NI 21-101 section 1.1 – “order”

UMIR section 1.1 – “Basis Order”, “Call Market Order”, “Closing Price Order”, “Exchange”, “Market-on-Close Order”, “marketplace”, “QTRS” and “standard trading unit”

UMIR section 1.2(2) – “trade”

**Related Provisions:** UMIR section 6.1

**Regulatory History:** Effective March 9, 2007, the applicable securities commissions approved an amendment to section 1.1 to replace the definition of “Special Terms Order”. Prior to that date, the definition provided:

**“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 to price or date of settlement; 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.

**“standard trading unit”** means, in respect of:

- (a) a derivative instrument, 1 contract;
- (b) a debt security that is a listed security or a quoted security, \$1,000 in principal amount; or
- (c) any equity or similar security:
  - (i) 1,000 units of a security trading at less than \$0.10 per unit,
  - (ii) 500 units of a security trading at \$0.10 or more per unit and less than \$1.00 per unit, and
  - (iii) 100 units of a security trading at \$1.00 or more per unit.

**Defined Terms:** UMIR section 1.1 – “listed security” and “quoted security”

**Related Provisions:** UMIR section 1.2(5)

**“trades on a when issued basis”** means purchases or sales of a security to be issued pursuant to:

- (a) a prospectus offering where a receipt for the final prospectus for the offering has been issued by the applicable securities regulatory authority but the offering has not closed and settled;
- (b) a proposed plan of arrangement, an amalgamation or a take-over bid prior to the effective date of the amalgamation or the arrangement or the expiry date of the take-over bid; or
- (c) any other transaction that is subject to the satisfaction of certain conditions, and the trade is to be settled only if the security is issued and the trade in the security prior to the issuance would not contravene the applicable securities legislation.

**Defined Terms:** NI 14-101 section 1.1(3) – “take-over bid”

UMIR section 1.2 – “trade”

**“trading day”** means a calendar day during which trades are executed on a marketplace.

**Defined Terms:** UMIR section 1.1 – “marketplace”  
UMIR section 1.2 – “trade”

“**trading increment**” means the minimum difference in price at which orders may be entered in accordance with Rule 6.1.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
**Related Provisions:** UMIR section 6.1  
**Regulatory History:** Effective May 16, 2008, the applicable securities commissions approved an amendment to section 1.1 to add the definition of “trading increment”.

“**Trading Rules**” means National Instrument 23-101 as amended, supplemented and in effect from time to time.

“**UMIR**” means those Rules adopted by the Investment Industry Regulatory Organization of Canada and designated by the Investment Industry Regulatory Organization of Canada as the Universal Market Integrity Rules as amended, supplemented and in effect from time to time.

**Regulatory History:** In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to section 1.1 that came into force on June 1, 2008 to adopt the definition of “UMIR”.

“**Volume-Weighted Average Price Order**” means an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing trades at an average price of the security traded on that trading day on that marketplace or on any combination of marketplaces known at the time of the entry of the order.

**Defined Terms:** NI 21-101 section 1.1 – “order”  
UMIR section 1.1 – “marketplace” and “trading day”

## **POLICY 1.1 - DEFINITIONS**

### **Part 1 – Definition of “connected security”**

*The definition of a “connected security” includes, among other things, a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may “significantly determine” the value of the offered security. The Market Regulator takes the view that, absent other mitigating factors, a connected security “significantly determines” the value of the offered security, if, in whole or in part, it accounts for more than 25% of the value of the offered security.*

## **Part 2 – Definition of “Exchange-traded Fund”**

An “Exchange-traded Fund” is defined, in part, as a mutual fund designated by the Market Regulator as an exchange-traded fund for the purposes of UMIR. As guidance, an exchange-traded fund may be designated by the Market Regulator where it is determined that it would be difficult to manipulate the price of units of the mutual fund.

It would be the intention of the Market Regulator that the designation of a security would be done after consultation with the Ontario Securities Commission or other applicable securities regulatory authority. Acceptance of the designation by applicable securities regulatory authorities would be a pre-condition to any designation of a security as an “Exchange-traded Fund”. Other factors which the Market Regulator would take into account are:

- the liquidity or public float of the security (or the underlying securities which comprise the portfolio of the mutual fund);
- whether the units are redeemable at any time for a “basket” of the underlying securities in addition to cash;
- whether a “basket” of the underlying securities may be exchanged at any time for units of the fund;
- whether the fund tracks a recognized index on which information is publicly disseminated and generally available through the financial media; and
- whether derivatives based on units of the fund, the underlying index or the underlying securities are listed on a marketplace.

None of these additional five factors is determinative in and of itself and each security will be evaluated on its own merits before a request is made to the applicable securities regulatory authority to concur in the designation.

<p><b>Defined Terms:</b> NI 14-101 section 1.1(3) – “securities regulatory authority” UMIR section 1.1 – “connected security”, “Exchange-traded Fund”, “Market Regulator”, “offered security” and “UMIR”</p> <p><b>Regulatory History:</b> Effective February 25, 2005, the applicable securities commissions approved amendments to the Policies under Rule 1.1 that came into force on May 9, 2005 to add Parts 1 and 2. In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to Part 2 of Policy 1.1 that came into force on June 1, 2008 to replace the phrase “the Rule” with “UMIR”.</p>
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<p><b>Proposed Amendments:</b> For information on the current proposed amendments for Rule 1.1, refer to:</p> <ol style="list-style-type: none"><li>i) Market Integrity Notice 2007-009 - Request for Comments - Provisions Respecting Access to Marketplaces (April 20, 2007) which includes the following proposed amendments:<ol style="list-style-type: none"><li>1. Rule 1.1 is amended by deleting the definitions of “Access Person” and “Participant” and substituting the following:<p style="margin-left: 40px;"><b>“Access Person”</b> means a person, other than a Participant, who:</p><ol style="list-style-type: none"><li>(a) is a member;</li><li>(b) is a subscriber;</li></ol></li></ol></li></ol>
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- (c) is a user; or
- (d) has Dealer-Sponsored Access.

**“Participant”** means:

- (a) a dealer registered in accordance with securities legislation of any jurisdiction that is able to act as an intermediary on behalf of clients with respect to securities traded on a marketplace and who:
  - (i) is a member,
  - (ii) is a user,
  - (iii) is a subscriber, or
  - (iv) has Dealer-Sponsored Access; or
- (b) a person who has been granted trading access to a marketplace and who performs the functions of a derivatives market maker.

- 2. Rule 1.1 is amended by adding the following definitions of “Dealer-Sponsored Access”, “Designated Marketplace”, “Marketplace Eligible Client” and “Representative”:

**“Dealer-Sponsored Access”** means the right to access to the trading system of a marketplace either directly or by means of an electronic connection to the order routing system of a Participant that has been granted by the Participant to a client that is an “institutional customer” for the purposes of Policy 4 – Minimum Standards for Institutional Account Opening, Operation and Supervision of the Investment Dealers Association [as of June 1, 2008 this reference would be to Rule 2700 – Minimum Standards for Institutional Account Opening, Operation and Supervision of the Investment Industry Regulatory Organization of Canada].

**“Designated Marketplace”** means any marketplace for which the Market Regulator has been retained as the Regulation Services Provider and to which the Access Person has access by means of being:

- (a) a member;
- (b) a subscriber;
- (c) a user; or
- (d) provided Dealer-Sponsored Access.

**“Marketplace Eligible Client”** means a client of a Participant that is eligible to obtain Dealer-Sponsored Access to a particular marketplace in accordance with:

- (a) in the case of an Exchange or QTRS, the Marketplace Rules of that marketplace; or
- (b) in the case of an ATS, the subscription agreement between the Participant and that marketplace.

**“Representative”** means each director, officer or employee of the Access Person who on behalf of the Access Person:

- (a) may enter an order on a Designated Marketplace; or
- (b) is responsible for the immediate supervision of any order entered by a director, officer or employee of the Access Person on a Designated Marketplace.

- ii) Market Integrity Notice 2007-017 – Request for Comments - Provisions Respecting Short Sales and Failed Trades (September 7, 2007) which includes the following proposed amendments:

- 1. Rule 1.1 is amended by:

- (a) adding the following definition of “failed trade”:

**“failed trade”** means a trade resulting from the execution of an order entered by a Participant or Access Person on a marketplace on behalf of an account and

- (a) in the case of a sale, other than a short sale, the account failed to make available securities in such number and form;
- (b) in the case of a short sale, the account failed to make:
  - (i) available securities in such number and form, or

(ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and

(c) in the case of a purchase, the account failed to make available monies in such amount,

as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade provided a trade shall be considered a "failed trade" irrespective of whether the trade has been settled in accordance with the rules or requirements of the clearing agency.

(b) inserting at the beginning of clause (b) in the definition of "short sale" the phrase "owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and"; and

(c) adding the following definition of "Short Sale Ineligible Security":

**"Short Sale Ineligible Security"** means a security or a class of securities that has been designated by a Market Regulator to be a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace for a particular trading day or trading days.

iii) Market Integrity Notice 2008-005 - Request for Comments - Provisions Respecting Trading During Certain Securities Transactions (March 21, 2008) which includes the following proposed amendments:

1. Rule 1.1 is amended by:

(a) deleting the word "and" at the end of clause (c) of the definition of "connected security" and substituting "or";

(b) inserting the following definition of "best independent bid price":

**"best independent bid price"** means the best bid price, other than for an order that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.

(c) deleting subclause (ii) of clause (a) of the definition of "dealer-restricted person" and substituting the following:

(ii) is participating, as agent but not as an underwriter, in a restricted private placement of securities and the Participant has been allotted or is otherwise entitled to sell more than 25% of the securities to be issued under the restricted private placement,

(d) deleting the definition of "Exchange-traded Fund" and inserting the following definition of "Exempt Exchange-traded Fund":

**"Exempt Exchange-traded Fund"** means a mutual fund for the purposes the purposes of applicable securities legislation, the units of which:

(a) are a listed security or a quoted security; and

(b) are in continuous distribution in accordance with applicable securities legislation

but does not include a mutual fund that has been designated by the Market Regulator to be excluded from this definition.

(e) deleting the definition of "last independent sale price"; and

(f) deleting clause (a) of the definition of "restricted period" and substituting the following:

(a) in connection with a prospectus distribution or a restricted private placement of any offered security, commencing two trading days prior to:

(i) the day the offering price of the offered security is determined, if the securities are to be issued at a fixed price as part of a non-continuous distribution, or

(ii) the issuance of the offered security, if the securities are issued as part of:

(A) a continuous distribution,

(B) a distribution at a non-fixed price permitted by National Instrument 44-101 – Short Form Prospectus Distributions, or

(C) an at-the-market distribution for the purposes of National Instrument 44-102 – Shelf Distributions,

provided that, if the person is a dealer-restricted person, the period shall commence on the date the Participant enters into an agreement or reaches an understanding to participate in the prospectus distribution or restricted private placement of securities, whether or not the terms and conditions of such participation have been agreed upon if that date is later than that determined for the purposes of clause (i) or (ii),

and ending on the date that is the earlier of the date:

(iii) the selling process has ended and all stabilization arrangements relating to the offered security are terminated, and

(iv) the offered securities, exclusive of any securities that may be issued pursuant to the exercise of an option granted to a dealer-restricted person to cover over-allotment of securities in the distribution, are issued and all statutory rights of withdrawal or rights of rescission in connection with such issuance have expired;

(g) deleting the definition of “restricted private placement” and substituting the following:

“**restricted private placement**” means a distribution of securities made pursuant to:

(a) section 2.3, 2.9 or 2.10 of National Instrument 45-106 – Prospectus and Registration Exemptions; or

(b) section 2.1 of Ontario Securities Commission Rule 45-501 – Ontario Prospectus and Registration Exemptions or similar provisions of applicable securities legislation,

and the number of securities to be distributed constitutes more than 10% of the issued and outstanding securities of the class subject to the distribution.

For information on the current proposed amendments for Policy 1.1, refer to:

i) *Market Integrity Notice 2007-017 - Request for Comments - Provisions Respecting Short Sales and Failed Trades (September 7, 2007) which includes the following proposed amendments:*

1. Policy 1.1 is amended by adding the following as Part 3:

**Part 3 – Definition of “Short Sale”**

Under the definition of “short sale”, a seller shall be considered to own a security under various circumstances including if the seller:

- owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- has an option to purchase the security and has exercised the option; or
- has a right or warrant to subscribe for the security and has exercised the right or warrant.

In each of these circumstances, the seller must have taken all steps necessary to become legally entitled to the security, including having:

- made any payment required;
- submitted to the appropriate person any required forms or notices; and
- submitted, if applicable, to the appropriate person any certificates for securities to be converted, exchanged or exercised.

ii) *Market Integrity Notice 2008-005 – Request for Comments - Provisions Respecting Trading During Certain Securities Transaction (March 21, 2008) which includes the following proposed amendments:*

1. Part 2 of Policy 1.1 is deleted and the following substituted:

**Part 2 – Definition of “Exempt Exchange-traded Fund”**

An “Exempt Exchange-traded Fund” is defined, in part, as a mutual fund for the purposes of applicable securities legislation, the units of which are a listed security

or a quoted security and are in continuous distribution in accordance with applicable securities legislation. The definition excludes a mutual fund that has been designated by the Market Regulator to be excluded from the definition.

As guidance, a mutual fund may be designated by the Market Regulator if it is determined that the trading price of units of the fund may be susceptible to manipulation due to a particular feature of the mutual fund. Factors which the Market Regulator would take into account in making a designation to exclude a particular mutual fund would be:

- the lack of liquidity or public float of the security (or the underlying securities which comprise the portfolio of the mutual fund);
- the absence of the ability to redeem units at any time for a “basket” of the underlying securities in addition to cash;
- the absence of the ability to exchange a “basket” of the underlying securities at any time for units of the fund;
- the fact that the fund does not frequently make a net asset value calculation publicly available; and
- the fact that there are no derivatives based on units of the fund, the underlying index or the underlying securities are listed on a marketplace.

None of these additional five factors is determinative in and of itself and each security will be evaluated on its own merits.