

3.2 Prohibition on the Entry of Orders

- (1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale:
 - (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii) or subclause 6.2(1)(b)(ix); or
 - (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order.

- (2) Clause (a) of subsection (1) does not apply to an order automatically generated by the trading system of an Exchange or QTRS in accordance with the Marketplace Rules in respect of the applicable Market Maker Obligations.

- (3) Clause (b) of subsection (1) does not apply to an order entered on a marketplace:
 - (a) in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules of that marketplace;
 - (b) for the account of a derivatives market maker and is entered:
 - (i) in accordance with the market making obligations of the seller in connection with the security or a related security, and
 - (ii) to hedge a pre-existing position in the security or a related security;
 - (c) as part of a Program Trade in accordance with Marketplace Rules;
 - (d) to satisfy an obligation to fill an order imposed on a Participant or Access Person by any provision of UMIR or a Policy; or
 - (e) that is of a class of security or type of transaction that has been designated by a Market Regulator.

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

UMIR section 1.1 – “Access Person”, “derivatives market maker”, “Exchange”, “Market Maker Obligations”, “Market Regulator”, “marketplace”, “Marketplace Rules”, “Participant”, “Policy”, “Program Trade”, “QTRS”, “related security”, “short sale”, “Short Sale Ineligible Security” and “UMIR”

Regulatory History: On October 15, 2008, the applicable securities commissions approved amendments to UMIR to add section 3.2 that came into force on October 14, 2008.