

7.7 Trading During Certain Securities Transactions

- (1) Prohibitions - Except as permitted, a dealer-restricted person shall not at any time during the restricted period:
 - (a) bid for or purchase a restricted security for an account:
 - (i) of a dealer-restricted person, or
 - (ii) over which the dealer-restricted person exercises direction or control; or
 - (b) attempt to induce or cause any person to purchase a restricted security.

- (2) **Prohibitions on Acting for Issuer-Restricted Persons** - Except as permitted, if a dealer-restricted person knows or ought reasonably to know that a person is an issuer-restricted person, the dealer-restricted person shall not at any time during the restricted period applicable to a particular issuer-restricted person bid for or purchase a restricted security for the account of that issuer-restricted person or an account over which that issuer-restricted person exercises direction or control.

- (3) **Deemed Recommencement of a Restricted Period** - If a Participant appointed to be an underwriter in a prospectus distribution or a restricted private placement receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the Participant in connection with the prospectus distribution or the restricted private placement then a restricted period shall be deemed to have commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the Participant has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.

- (4) **Exemptions** - Subsection (1) does not apply to a dealer-restricted person in connection with:
 - (a) market stabilization or market balancing activities where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security provided that the bid or purchase is at a price which does not exceed:
 - (i) in the case of an offered security, the least of:
 - (A) the price at which the offered security will be issued in a prospectus distribution or restricted private placement, if that price has been determined,

- (B) the best independent bid price at the commencement of the restricted period if the price at which the offered security will be issued in a prospectus distribution or restricted private placement has not been determined or if the offered security will be issued pursuant to a securities exchange take-over bid, an issuer bid or an amalgamation, arrangement, capital reorganization or similar transaction, and
 - (C) the best independent bid price at the time of the entry on a marketplace of the order to purchase,
- (ii) in the case of a connected security, the lesser of:
 - (A) the best independent bid price at the commencement of the restricted period, and
 - (B) the best independent bid price at the time of the entry on a marketplace of the order to purchase,

provided that if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last trade of the security executed on a foreign organized regulated market other than a trade that the 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;
- (b) a restricted security that is:
 - (i) a highly-liquid security,
 - (ii) a unit of an Exempt Exchange-traded Fund, or
 - (iii) a connected security of a security referred to in subclause (i) or (ii);
- (c) a bid or purchase by a dealer-restricted person on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is an issuer-restricted person provided that:
 - (i) the client order has not been solicited by the dealer-restricted person, or
 - (ii) if the client order was solicited, the solicitation by the dealer-restricted person occurred prior to the commencement of the restricted period;
- (d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the restricted period;
- (e) a bid for or purchase of a restricted security is made pursuant to a Small Securityholder Selling and Purchase Arrangement undertaken in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;
- (f) the solicitation of a tender of securities to a securities exchange take-over bid or issuer bid;
- (g) a subscription for or purchase of an offered security pursuant to a prospectus distribution or restricted private placement;

- (h) a bid or purchase of a restricted security to cover a short position entered into prior to the commencement of the restricted period;
 - (i) a bid or purchase of a restricted security is solely for the purpose of rebalancing a portfolio, the composition of which is based on an index as designated by the Market Regulator, to reflect an adjustment made in the composition of the index;
 - (j) a purchase that is or a bid that on execution would be:
 - (i) a basket trade, or
 - (ii) a Program Trade; or
 - (k) a bid for a purchase of a restricted security for an arbitrage account and the dealer-restricted person knows or has reasonable grounds to believe that a bid enabling the dealer-restricted person to cover the purchase is then available and the dealer-restricted person intends to accept such bid immediately.
- (5) **Exemptions on Acting for an Issuer-restricted Person** - Subsection (2) does not apply to a dealer-restricted person in connection with:
- (a) the exercise by an issuer-restricted person of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the restricted period;
 - (b) a bid or purchase by an issuer-restricted person of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;
 - (c) an issuer bid described in clauses 93(3)(a) through (d) of the *Securities Act* (Ontario) or similar provisions of applicable securities legislation if the issuer did not solicit the sale of the securities sold under those provisions;
 - (d) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid; or
 - (e) a subscription for or purchase of an offered security pursuant to a prospectus distribution or a restricted private placement.
- (6) **Compilations and Industry Research** - Despite subsection (1), a dealer-restricted person may, if permitted under applicable securities legislation, publish or disseminate any information, opinion or recommendation relating to the issuer of a restricted security, if the information, opinion or recommendation is in a publication that is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person and:
- (a) the restricted security is a highly-liquid security; or
 - (b) the publication:
 - (i) includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the

issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person, and

- (ii) gives no materially greater space or prominence to the information, opinion or recommendation related to the restricted security or the issuer of the restricted security than that given to other securities or issuers.

(7) **Transactions by Person with Market Maker Obligations** - Despite subsection (1), a dealer-restricted person with Market Maker Obligations for a restricted security may, for their market making trading account:

- (a) with the prior approval of a Market Integrity Official, enter a bid to move the calculated opening price of a restricted security to a more reasonable level;
- (b) purchase a restricted security pursuant to their Market Maker Obligations; and
- (c) bid for or purchase a restricted security:
 - (i) that is traded on another marketplace or foreign organized regulated market for the purpose of matching a higher-priced bid posted on such marketplace or foreign organized regulated market,
 - (ii) that is convertible, exchangeable or exercisable into another listed security for the purpose of maintaining an appropriate conversion, exchange or exercise ratio, and
 - (iii) to cover a short position resulting from sales made under their Market Maker Obligations.

(8) **Transactions by the Derivatives Market Maker** – Despite subsection (1), a dealer-restricted person who is a derivatives market maker with responsibility for a derivative security the underlying interest of which is a restricted security may, for their derivatives market making trading account, bid for or purchase a restricted security if:

- (a) the restricted security is the underlying security of the option for which the person is the specialist;
- (b) there is not otherwise a suitable derivative hedge available; and
- (c) such bid or purchase is:
 - (i) for the purpose of hedging a pre-existing options position,
 - (ii) reasonably contemporaneous with the trade in the option, and
 - (iii) consistent with normal market-making practice.

(9) **Application of Exemptions to a Dealer-Restricted Person and Issuer-Restricted Person** – Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsections (4), (6), (7) and (8) continue to be available to the dealer-restricted person.

POLICY 7.7 – TRADING DURING CERTAIN SECURITIES TRANSACTIONS

Part 1 – Manipulative or Deceptive Activity

Provisions prohibiting manipulative or deceptive activities, including activities that may create misleading pricing or trading activity that is detrimental to investors and the integrity of the markets, are contained in Rule 2.2. Rule 7.7 generally prohibits purchases of or bids for restricted securities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. Rule 7.7 also provides certain exemptions to permit purchases and bids in situations where there is no, or a very low possibility of manipulation. However, the Market Regulator is of the view that notwithstanding that certain trading activities are permitted under Rule 7.7, these activities continue to be subject to the general provisions relating to manipulative or deceptive activities in Rule 2.2 and the provisions on manipulation and fraud found in applicable securities legislation such that any activities carried out in accordance with Rule 7.7 must still meet the spirit of the general anti-manipulation provisions.

Part 2 - Market Stabilization and Market Balancing

Rule 7.7(4)(a) provides a dealer-restricted person with an exemption from the prohibitions in subsection (1) for market stabilization and market balancing activities subject to price limitations. Market stabilization and market balancing activities should be engaged in for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security.

The Market Regulator considers it to be inappropriate for a dealer to engage in market stabilization activities in circumstances where dealer knows or should reasonably know that the market price is not fairly and properly determined by supply and demand. This might exist where, for example, the dealer is aware that the market price is a result of inappropriate activity by a market participant or that there is undisclosed material information regarding the issuer.

Market balancing activities should contribute to a fair and orderly market by contributing to price continuity and depth and by minimizing supply-demand disparity. Market balancing does not seek to prevent or unduly retard any price movements, but merely to prevent erratic or disorderly changes in price.

Part 3 – Short Position Exemption

Rule 7.7(4)(h) provides an exemption from the prohibitions in subsection (1) for a dealer-restricted person in connection with a bid for or purchase to cover a short position provided that short position was entered into before the commencement of the restricted period. Short positions entered into during the restricted period may be covered by purchases made in reliance upon the market stabilization exemption in Rule 7.7(4)(a), subject to the price limits set out in that exemption. (See “Part 5 – Trading Pursuant to Market Maker Obligations” for a discussion of the ability of persons with Market Maker Obligations to cover short positions arising during the restricted period pursuant to their Market Maker Obligations.)

Part 4 – Research

The Market Regulator is of the view that although sections 4.1 and 4.2 of OSC Rule 48-501 do permit a dealer-restricted person to disseminate research reports, this dissemination continues to be subject to the usual restrictions that are applicable to a dealer-restricted person in possession of material information regarding the issuer that has not been generally disclosed.

Rule 7.7(6) provides circumstances where a dealer-restricted person may publish or disseminate information, an opinion, or a recommendation relating to the issuer of a restricted security. The Rule requires that the information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person. The Market Regulator considers that it is a question of fact whether a publication was disseminated “with reasonable regularity” and whether it was in the “normal course of business”. A research publication would not likely be considered to have been published with reasonable regularity if it had not been published within the previous twelve month period or there had been no coverage of the issuer within the previous twelve month period. The nature and extent of the published information should also be consistent with prior publications and the dealer should not undertake new initiatives in the context of the distribution. For example, the inclusion of projections of issuers’ earnings and revenues would likely only be permitted if they had previously been included on a regular basis. The Market Regulator may consider the distribution channels for the dissemination of the publication when considering whether a publication was “in the normal course of business”. The research should be distributed through the dealer-restricted person’s usual research distribution channels and should not be targeted or distributed specifically to prospective investors in the distribution as part of a marketing effort. However, the research may be distributed to a prospective investor if that investor was previously on the mailing list for the research publication.

Rule 7.7(6)(b) requires that the information, opinion or recommendation includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer’s industry. In this context, reference should be made to the relevant industry when determining what constitutes a “substantial number of issuers”. Generally, the Market Regulator would consider a minimum of six issuers to be a sufficient number. However, where there are less than six issuers in an industry, then all issuers should be included in the research report, and in any event the number of issuers should not be less than three.

Part 5 – Trading Pursuant to Market Maker Obligations

Under Rule 7.7(7)(b), a dealer-restricted person with Market Maker Obligations for a restricted security may, for their market making trading account, purchase a restricted security pursuant to their Market Making Obligations. Not every purchase of a restricted security by a Market Maker will be considered to be undertaken pursuant to their Market Making Obligations. For example, if a market making system of a marketplace permits a Market Maker to voluntarily participate in trades that participation may only result in purchases that are:

- made at prices which are permitted by Rule 7.7(4)(a); or*
- to cover a short position resulting from sales made under their Market Maker Obligations.*

Use of a voluntary participation feature in other circumstances, may result in the Market Maker not complying with the prohibitions or restrictions on trading under Rule 7.7.

“Market Maker Obligations” are defined as the obligations imposed by the rules of an Exchange or a QTRS on a member or user or a person employed by a member or user to guarantee:

- a two-sided market for a particular security on a continuous or reasonably continuous basis; and
- 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.

<p>Defined Terms: NI 14-101 section 1.1(3) – “issuer bid”, “securities legislation” and “take-over bid”</p> <p>UMIR section 1.1 – “arbitrage account”, “basket trade”, “best independent sale price”, “client order”, “connected security”, “dealer-restricted person”, “derivatives market maker”, “Exempt Exchange-traded Fund”, “foreign organized regulated market”, “hedge”, “highly-liquid security”, “issuer-restricted person”, “listed security”, “Market Integrity Official”, “Market Maker Obligations”, “Marketplace Rules”, “Market Regulator”, “Program Trade”, “offered security”, “restricted period”, “restricted private placement”, “restricted security” and “securities exchange take-over bid”</p> <p>UMIR section 1.2(2) – “trade”</p> <p>Related Provision: UMIR section 1.2(6) – Interpretation of “restricted period”</p> <p>Regulatory History: Effective February 25, 2005, the applicable securities commissions approved amendments effective May 9, 2005 to repeal and replace section 7.7 and to add Parts 1, 2, 3, 4 and 5 of Policy 7.7. Prior to the amendments becoming effective, section 7.7 provided:</p> <p>7.7 Restrictions on Trading by a Participant Involved in a Distribution</p> <p>(1) Definitions</p> <p>In this Rule:</p> <p>“basket trade” means a simultaneous purchase of at least 20 listed or quoted securities with a total value of at least \$10,000,000, provided that the distributed security (or an underlying or convertible security) comprises less than 10% of the total size and value of the transaction.</p> <p>“convertible security” means a security that is convertible, exercisable or exchangeable into a distributed security and excludes an option.</p> <p>“distribution” means a distribution of any security pursuant to a prospectus or a wide distribution in accordance with the applicable Marketplace Rules.</p> <p>“distributed security” means a security of the class that is the subject of the distribution.</p> <p>“independent bid” means a bid entered on a marketplace by or on behalf of a Participant or a client of a Participant that is not involved in the distribution.</p> <p>“independent trade” means a trade made by or on behalf of a person who is not involved in the distribution.</p> <p>“maximum permitted stabilization price” means the maximum price at which a Participant or person subject to subsection (3) may bid for or purchase securities that are the subject of a distribution (or are convertible securities or underlying securities) and in the case of:</p> <p>(a) a distribution of a listed or quoted security, the maximum permitted stabilization price for bids or purchases of that security is the distribution price; and</p> <p>(b) any distribution, the maximum permitted stabilization price for bids or purchases of a listed convertible security or a listed or quoted underlying security is the highest independent bid price on a marketplace for those securities at the beginning of the distribution as defined in subsection (2).</p> <p>“underlying security” means a security into which a distributed security is convertible, exercisable or exchangeable, and includes a security with substantially the same characteristics as a distributed security or another underlying security.</p> <p>(2) Involvement of a Participant in a Distribution</p> <p>A Participant shall be deemed to be involved in the distribution of a security as of the later of:</p>

- (a) two trading days prior to the day on which the offering price of the securities to be distributed is determined; and
- (b) the date on which the Participant enters into an underwriting agreement or reaches an understanding to participate in the distribution of securities whether or not the terms and conditions of such participation have been agreed upon.

(3) **Deemed Continuation of Distribution**

The Participant shall be deemed to continue to be involved in the distribution until the earlier of:

- (a) the date on which it has sold all of the securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and
- (b) the date on which the distribution has been terminated by the Participant pursuant to applicable securities legislation or Marketplace Rules.

(4) **Deemed Involvement**

Notwithstanding that the Participant has sold all of the securities allotted to it and is no longer subject to subsection (5) by virtue of clause (3)(b), if purchasers of 5% or more of the securities allotted to or acquired by that Participant in connection with the distribution give notice that they intend to exercise their statutory rights of withdrawal, that Participant shall be deemed to be involved again in the distribution and subject to the provisions of subsection (5) from that time until the earlier of:

- (a) the date on which it has sold all of the securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and
- (b) the date on which the distribution has been terminated by the Participant pursuant to applicable securities legislation or applicable Marketplace Rules.

(5) **Prohibited Trading**

Except as provided in this section, a Participant, while involved in a distribution, shall not bid for nor purchase the distributed security (or a convertible or underlying security) for its own account, nor solicit purchase orders from clients for a distributed security (or a convertible or underlying security).

(6) **Application of Prohibitions**

This section applies to all bids for or purchases of distributed securities, convertible securities or underlying securities that are listed securities or quoted securities, including bids and purchases not made on the Exchange or QTRS on which the securities are listed or quoted.

(7) **Exceptions for Convertible Securities**

This section does not apply to bids for or purchases of convertible securities where:

- (a) the convertible security is not immediately convertible, exercisable or exchangeable into the distributed security;
- (b) the conversion, exercise or exchange price is at least 110% of the ask price on the distributed security at the time the distribution begins; or
- (c) the convertible security is convertible, exercisable or exchangeable into securities of more than one issuer.

(8) **Exceptions for Underlying Securities**

This section does not apply to bids for or purchases of underlying securities where:

- (a) the distributed security is not immediately convertible, exercisable or exchangeable into the underlying security;
- (b) the conversion, exercise or exchange price is at least 110% of the best ask price of the underlying security at the time the distribution begins; or
- (c) the distributed security is convertible, exercisable or exchangeable into securities of more than one issuer.

(9) **Application to Members of Selling Group**

This section shall not apply to a Participant that is involved in a distribution only as a participant in a firm commitment underwriting that has agreed to sell part of a distribution but that is not obligated to purchase any unsold shares.

(10) Permitted Transactions

The following transactions by or on behalf of a Participant involved in a distribution, other than an at-the-market offering as permitted by National Instrument 44-101 do not constitute a manipulative or deceptive method of trading:

- (a) bids for or purchases of a security for the account of a Participant involved in the distribution, where:
 - (i) the Participant is short the security, or
 - (ii) in the event that the Participant is not short the security, the bid or purchase is below the last sale price of the security or at such price if such price is below the last preceding different-priced trade of a standard trading unit on a marketplace as displayed in a consolidated market display,

provided that the bid or purchase (as the case may be) is not made at a price that is higher than the maximum permitted stabilization price, except for those transactions by a person with Market Maker Obligations or a derivative market maker as permitted by this section;

- (b) agency transactions arising from unsolicited orders of a client for the purchase of the security, where such client is not involved in the distribution; or
- (c) basket trades made to facilitate an unsolicited sell order from a client, provided that the distributed security (or convertible or underlying security, as the case may be) is purchased at the lower of the best bid price at the time of the trade and the price of the last trade of a standard trading unit of the security as displayed in a consolidated market display.

(11) Initial Stabilizing Bid

The following transactions by or on behalf of a Participant involved in a distribution do not constitute a manipulative or deceptive method of trading:

- (a) a bid or purchase by or on behalf of a Participant involved in a distribution, where:
 - (i) the bid or purchase (as the case may be) is the first bid or purchase made on a marketplace since the security was posted for trading on an Exchange or QTRS, and
 - (ii) the bid or purchase (as the case may be) is made at a price that is not greater than the price of the last independent trade of a standard trading unit on an exchange or organized regulated market that publicly disseminates details of trade in that market,

provided that the bid or purchase (as the case may be) is not made at a price that is higher than the maximum permitted stabilization price; or

- (b) agency transactions arising from unsolicited orders of a client for the purchase of the security, where such client is not involved in the distribution.

(12) Limitations on Exemptions

The exemptions for transactions by a derivative market maker or a person with Market Maker Obligations do not apply to initial stabilizing bids or purchases.

(13) Transactions by a Person with Market Maker Obligations

The following transactions in a listed security or quoted security do not constitute a manipulative or deceptive method of trading when made by the person with Market Maker Obligations for that security in their account while the Participant is involved in a distribution:

- (a) purchases of an opening imbalance that is required to be purchased under applicable Marketplace Rules, provided that:
 - (i) the person with Market Maker Obligations shall not open the security at a price that is higher than the calculated opening price on that marketplace unless the prior approval of a Market Integrity Official is obtained, and
 - (ii) the person with Market Maker Obligations shall not enter any orders for their account or for their Participant's account prior to the opening or trading other than an order required to fill the imbalance;
- (b) purchases of sell orders pursuant to the Market Maker Obligations in accordance with the applicable Marketplace Rules;
- (c) bids for, or purchases of a security that is also traded on another market for the purpose of matching a higher-priced bid posted on such a market, provided that

the bid may not be for a quantity greater than the highest independent bid on that market or the number of units of the security guaranteed pursuant to the Market Maker Obligations;

- (d) bids for, or purchases of, a security that is convertible or exchangeable into another listed security or quoted security for the purpose of maintaining an appropriate conversion or exchange ratio; or
- (e) bids for, or purchases of, a security to cover a short position resulting from sales made under Market Maker Obligations.

(14) Transactions by the Derivatives Market Maker

A derivatives market maker whose firm is involved in a distribution may, for their derivatives market maker account, bid for or purchase a security:

- (a) the security is the underlying security of the option for which the person is the market maker or specialist;
- (b) there is not otherwise a suitable derivative hedge available; and
- (c) such bid or purchase is for the purpose of hedging a pre-existing options position, is reasonably contemporaneous with the options trading and is consistent with normal market making practice.

Effective May 16, 2008, the applicable securities commissions approved an amendment to Rule 7.7 to replace the phrase “an organized regulated market outside of Canada that publicly disseminates details of trades executed on that market” with “foreign organized regulated market or other market”.

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (4) of section 7.7 to delete the words “the lesser of” in clause (a).

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (4) of section 7.7 to repeal and replace subclause (a)(i). Prior to that date, subclause (a)(i) provided:

- (i) in the case of an offered security:
 - (A) the price at which the offered security will be issued in a prospectus distribution or restricted private placement, if that price has been determined, and
 - (B) the last independent sale price at the time of the entry on a marketplace of the order to purchase,

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (4) of section 7.7 to add the words “the lesser of” after the word “security” in subclause (a)(ii).

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (4) of section 7.7 to replace the “last independent sale price” by “best independent sale price” in paragraphs (A) and (B) of subclause (a)(ii).

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (4) of section 7.7 to replace the words “Exchange-traded Fund” by “Exempt Exchange-traded Fund” in subclause (b)(ii).

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (7) of section 7.7 to replace the word “market” by “marketplace or foreign organized regulated market” in clause (c).

Guidance: The following is the relevant text of Market Integrity Notice 2005-013 issued on May 2, 2005 under the heading “**Effective Date of Amendments Respecting Trading During Certain Securities Transactions**”.

Interpretation of the Exemption in Rule 7.7(4)(a)

If an “offered security” is to be issued pursuant to:

- a securities exchange take-over bid;
- an issuer bid; or
- an amalgamation, arrangement, capital reorganization or similar transaction

a dealer-restricted person may bid or purchase the offered security in connection with market stabilization or market balancing activities at a price which does not exceed the lesser of:

- the last independent sale price at the commencement of the restricted period; and
- the last independent sale price at the time of the entry on a marketplace of the order to purchase.

List of “Highly-Liquid Securities”

A “highly-liquid security” is exempt from certain of the restrictions and prohibitions governing trading activity during securities transactions. A “highly-liquid security” is defined as 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 Reg. M and is considered to be an “actively-traded security” under that regulation.

IIROC is maintaining a list of securities which, based on data available to IIROC, meet the definition of a “highly-liquid security” as a result of achieving the required number of average daily trades and average daily trading value on Canadian marketplaces. The list maintained by IIROC does not contain a listed security or a quoted security that is inter-listed with a market in the United States and that is considered to be “actively-traded” under Reg. M but which fails to meet the tests for average daily trades and average daily trading value on Canadian marketplaces.

A separate list of highly-liquid securities will be prepared for each trading day. For convenience, a summary will identify the securities which have been added or deleted from the list of highly-liquid securities on a particular trading day. Persons may rely on the list and summary prepared by IIROC or they may independently verify if a security meets the requirements of a “highly-liquid security” so long as they retain a record of the data they rely upon in verifying the requirements.

If a security is traded on Canadian marketplaces in both Cdn\$ and US\$ and the security is on the list of “highly-liquid securities” that status will apply to the security regardless of the currency in which the trade is made.

The list of highly-liquid securities and the daily summary of changes is available on the IIROC website (at www.iiroc.ca) and may be accessed through the “Quick Links” on the homepage.

Guidance: The following is the relevant text of Market Integrity Notice 2005-023 issued on July 29, 2005 under the heading “**Guidance – Securities Trading on Multiple Marketplaces**”. Market Integrity Notice 2005-023 was repealed and replaced by Market Integrity Notice 2006-017 issued on September 1, 2006 under the heading “**Guidance – Securities Trading on Multiple Marketplaces**”. Additional background information from Market Integrity Notice 2005-023 is set out under Rule 3.1 and additional text is set out under Rules 5.2, 5.3 and 8.1.

Rule 7.7 of UMIR imposes prohibitions or restrictions on a Participant who is a “dealer-restricted person” trading in certain securities during a “restricted period”. During the restricted period, a dealer-restricted person is not permitted to bid for or purchase a restricted security or attempt to “induce or cause any person to purchase a restricted security”. A number of exemptions to this prohibition apply, including exemptions related to the “last independent sale price” of the security. The term “last independent sale price” is defined as including “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”.

A Participant must calculate the “last independent sale price” of that security based upon the price as reported on every marketplace to which the Participant has trading access. Specifically, the highest price at which a Participant that is a “dealer-restricted person” may make a bid or purchase of a restricted security will be the lesser of:

- the last sale price of the security on the marketplace on which the Participant enters the bid or makes the purchase; or
- the last sale price of the security on any marketplace to which the Participant has access provided such trade occurred subsequent to the last sale on the marketplace on which the Participant enters the bid or makes the purchase.

Guidance: The following is the relevant text of Market Integrity Notice 2006-003 issued on January 31, 2006 under the heading “**Guidance – Solicitation of Client Orders During a Restricted Period**”.

Summary

This Market Integrity Notice provides guidance on:

- research which a Participant may publish during a restricted period; and
- the handling by a Participant of client orders resulting from unfilled portions of a client subscription under a prospectus distribution or restricted private placement.

Prohibition on Solicitation During a Restricted Period

Rule 7.7(1)(b) of the Universal Market Integrity Rules (“UMIR”) prohibits a Participant which is a dealer-restricted person from soliciting or otherwise inducing any person to purchase a restricted security during a restricted period.

This provision is part of package of amendments to UMIR regarding market stabilization and market balancing that became effective on May 9, 2005. For more details regarding the amendments, including the full text of the amendments (including definitions of “dealer-restricted person”, “restricted period”, “restricted private placement” and “restricted security”), reference should be made to Market Integrity Notice 2005-007 – Notice of Amendment Approval – Amendments Respecting Trading During Certain Securities Transactions issued on March 4, 2005. Reference should also be made to Market Integrity Notice 2005-013 – Effective Date of Amendments Respecting Trading During Certain Securities Transactions issued on May 2, 2005 for additional guidance on “highly-liquid securities” and acceptable bids or purchases during: a securities exchange take-over bid; an issuer bid; or an amalgamation, arrangement, capital reorganization or similar transaction.

Exemption for Research

Under Rule 7.7(6), an exemption from the general prohibition is provided to permit a dealer-restricted person to publish information, opinions and recommendations relating to an issuer of a restricted security in a publication which is disseminated with reasonable regularity in the normal course of the dealer-restricted person's business. Whether a publication is disseminated with "reasonable regularity" and "in the normal course of business" is a question of fact. It is the view of IIROC that a publication that has not been published within the previous twelve months, or has not provided coverage of the specific issuer within the previous twelve month period, would not fulfil the standard of "reasonable regularity". Generally, the nature and extent of the published information respecting the restricted security must be consistent with prior publications and the dealer-restricted person should not undertake any new marketing, promotional or informational initiatives containing information on the restricted security during the restricted period.

Research Related to a Highly-Liquid Security

If the restricted security qualifies as a "highly-liquid" security there are no additional restrictions on the content of the research. A "highly-liquid security" is defined as a listed security or quoted security that:

- 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:
 - an average of at least 100 times per trading day, and
 - with an average trading value of at least \$1,000,000 per trading day; or
- is subject to Regulation M of the Exchange Act of 1934 (United States) and is considered to be an "actively-traded security" under that regulation.

IIROC maintains a list of securities which, based on data available to IIROC, meet the definition of a "highly-liquid security" as a result of achieving the required number of average daily trades and average daily trading value on Canadian marketplaces. Persons may rely on the list and summary prepared by IIROC or they may independently verify if a security meets the requirements of a "highly-liquid security" so long as they retain a record of the data they rely upon in verifying the requirements. The list of highly-liquid securities and the daily summary of changes is available on the IIROC website (at www.iroc.ca) and may be accessed through the "Quick Links" on the homepage..

Research Related to Other Restricted Securities

If the subject of the research is a restricted security that does not qualify as a "highly-liquid security", the publication must meet certain requirements related to content in addition to the requirements on dissemination. In particular, the publication must:

- include similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person; and
- give no materially greater space or prominence to the information, opinion or recommendation related to the restricted security or the issuer of the restricted security than that given to other securities or issuers.

Part 4 of the Policy 7.7 sets out the expectations of IIROC for "similar coverage" in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry. In this context, reference should be made to the relevant industry when determining what constitutes a "substantial number of issuers". Generally, IIROC would consider a minimum of six issuers to be a sufficient number. However, where there are less than six issuers in an industry, then all issuers should be included in the research report, and in any event the number of issuers should not be less than three. In the view of IIROC, it would not be acceptable for the research on the restricted security to be set out in a publication in a format designed to draw attention to the information respecting the restricted security.

Unacceptable Research Activities

IIROC is of the view that the exemption in Rule 7.7(6) is not available if the publication or dissemination of any information, opinion or recommendation relating to the issuer of a restricted security is:

- by any special or targeted distribution to an investor (research may be distributed to a prospective investor if such investor was on the mailing list for the research publication prior to the restriction period);
- outside usual research distribution channels;
- in a publication which was not disseminated prior to the restricted period to such investor on a reasonably regular basis in the normal course of the dealer's business; and
- in a publication which contains information respecting a restricted security of a nature or type not included in prior publications (e.g. it is not acceptable to add projections for the issuer if projections had not previously been included on a regular basis).

Unfilled Portion of a Client Subscription

Under Rule 7.7(4)(g), a Participant is permitted during the restricted period to solicit a subscription for or purchase of an offered security pursuant to a prospectus distribution or restricted private placement. If a client has subscribed to purchase a number of securities under an offering and the client is allocated fewer securities than the amount of the subscription, an order which is placed by the client to acquire additional shares through purchases on a marketplace will not be considered a "solicitation" provided the Participant has not recommended that such a purchase be made. When the client is informed that the allocation to

the client under the offering will not satisfy the amount of the subscription, the Participant may indicate that an order for the purchase of additional securities may be entered on a marketplace but the Participant may not recommend that such an order be placed. If the Participant complies with the restriction on making a recommendation, the client order to be entered on a marketplace will not be considered to have been solicited even though the original subscription under the offering may have been solicited.

A Participant can not assume that a client would want to place an order on a marketplace for the purchase of the amount of the unfilled portion of a subscription under an offering or that the client would be prepared to acquire securities in an over-the-counter transaction prior to the listing or quoting of the securities. The client must specifically authorize that such an order be entered or over-the-counter trade be executed. Without the specific authorization of the client, it is the position of IIROC that the Participant has engaged in conduct which is contrary to just and equitable principles of trade under Rule 2.1 of UMIR.

Guidance: The following is the relevant text of Market Integrity Notice 2006-016 issued on July 10, 2006 under the heading “**Guidance – Trading During Certain Securities Transactions**”.

Background

Effective May 9, 2005, the provisions of UMIR related to market stabilization and market balancing were amended. These amendments were co-ordinated with the introduction of Ontario Securities Commission Rule 48-501 (“OSC Rule 48-501”) that also deals with market stabilization and market balancing activities. The amendments to UMIR and OSC Rule 48-501 set out the requirements related to the trading activities of dealers, issuers and persons connected with the issuer during a distribution of securities, securities exchange take-over bid, issuer bid or amalgamation, arrangement, capital reorganization or similar transaction. Among other things, the amendments prohibited or restricted trading activities to preclude manipulative conduct by persons with an interest in the outcome of the distribution of securities or other transactions. In particular, the amendments impose prohibitions or restrictions on a “dealer-restricted person” trading in certain securities during a “restricted period”.

Reference should be made to Market Integrity Notice 2005-007 – Notice of Amendment Approval – Amendments Respecting Trading During Certain Securities Transactions (March 4, 2005) for more details regarding the amendments, including the full text of the amendments and the definitions of “dealer-restricted person”, “issuer-restricted person”, “restricted period”, “restricted private placement” and “restricted security”. Reference should also be made to Market Integrity Notice 2005-013 – Effective Date of Amendments Respecting Trading During Certain Securities Transactions (May 2, 2005) for additional guidance on acceptable activities, including exemptions provided for activities related to “highly-liquid securities”, during a distribution of securities, securities exchange take-over bid, an issuer bid, or an amalgamation, arrangement, capital reorganization or similar transaction.

Questions and Answers

The following is a list of frequently asked questions regarding the application of Rule 7.7 and the response of the Investment Industry Regulatory Organization of Canada (“IIROC”) to each question:

1. **Can the “restricted period” start even though the underwriting or agency agreement has not been executed?**

In connection with a prospectus distribution or a restricted private placement of an offered security, the “restricted period” commences the later of two days prior to the day the offering price of the offered security is determined, or the date the Participant enters into an agreement or reaches an understanding to participate in the distribution or restricted private placement, whether or not the terms and conditions of such participation have been agreed upon. The date on which the underwriting or agency agreement is executed is not determinative of the start of the restricted period.

2. **Is there a relationship between restrictions on “pre-marketing” activities and the commencement of a “restricted period”?**

By-law 29.13 of the Investment Dealers Association restricts “pre-marketing” activities of a dealer by prohibiting the solicitation of indications of interest from potential clients at any time after the dealer has had discussions with an issuer which are sufficiently specific to reasonably expect the dealer to propose an underwriting of equity securities until the earlier of the issuance of a receipt for the preliminary prospectus or the issuance of a press release announcing the distribution. The IDA By-law does not affect the commencement of a “restricted period” under Rule 7.7 of UMIR. A restricted period may commence notwithstanding that there has been no public disclosure of the forthcoming distribution.

3. **Does a “greenshoe option” have to be exercised before the “restricted period” can be considered to be at end?**

In the case of a prospectus distribution and a restricted private placement, the “restricted period” is deemed to have ended when the selling process has ended and all stabilization arrangements relating to the offered security are terminated. Rule 1.2(6)(a) of UMIR provides that in the case of a prospectus distribution, the selling process is considered to end when:

- the receipt for the prospectus has been issued;
- the Participant has distributed all of its allocated securities and, is no longer stabilizing; and
- all selling efforts have ceased.

However, the restricted period does not end until any syndicate arrangement has also been terminated.

In the case of a restricted private placement, the selling process will be deemed to have ended when the Participant has allocated all its portion of the securities to be distributed under the offering and all stabilization arrangements have been terminated.

The selling efforts of a Participant will be considered to have ended if the Participant is no longer making an effort to sell and there is no intention to exercise an over-allotment option (a “greenshoe option”) other than to cover the short position of the Participant or syndicate. However, if the greenshoe option is held for the benefit of a syndicate, the syndicate must be terminated for the restricted period to be considered at an end.

4. If a Participant, who is part of a selling syndicate, fully distributes all of the securities allocated to it, can that Participant consider its “restricted period” to have ended?

With respect to a prospectus distribution and a “restricted private placement”, the “restricted period” ends on the date the selling process has ended **and** all stabilization arrangements relating to the offered security are terminated. To the extent that a Participant has allocated its entire allotment of the securities to be distributed under the offering, the Participant is **not** out of “restriction” until such time as all stabilization arrangements relating to the offered security are terminated. Stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated.

5. If a shareholder offers to sell additional shares of an over-subscribed secondary issue, may a Participant offer the securities to clients whose subscriptions were not filled (or partially filled)? Can a Participant contact clients that had “expressed an interest” in the distribution but failed to submit a subscription?

A Participant may contact a client that subscribed to purchase securities under an offering but was allocated fewer securities than the amount of the subscription. The contact will not be considered a solicitation if the client is offered a number of securities not exceeding the difference between the number of securities subscribed for and the number allocated under the offering. If additional shares remain available after satisfying any unfilled or partially filled subscriptions, the Participant may contact those clients who had confirmed to the Participant an intention to subscribe under the offering but, due to administrative error, delay or other circumstances, did not submit a completed subscription. In such a case, a Participant is required to maintain a written record with sufficient details to demonstrate the client’s intention to submit a subscription and the nature of the error, delay or other circumstances that caused the failed order. A Participant who contacts a client who had expressed interest in the securities to inform them of the available securities under any other circumstances during a restricted period is considered to have made a “solicitation” contrary to Rule 7.7(1)(b).

6. If a Participant that is “restricted” receives an unsolicited client order to sell a significant block of the security, can the Participant contact other dealers or clients as it would in the ordinary course?

In accepting the client order, the Participant must be aware that its “restricted” status in dealing with the particular security will affect the ability of the Participant to undertake certain activities to accommodate the execution of the client order. While the Participant may be able to approach certain clients that did not obtain complete fills of their subscriptions as described in the response to question 5 above, the Participant may not solicit interest from other dealers or clients as such activities can not be differentiated from solicitations to support the distribution in which the Participant is involved.

7. How are price restrictions determined in the case of a “unit” offering?

If the offering consists of a “unit” comprised of two or more separate securities (such as a share and a purchase warrant), the “distribution” price for each component of the unit will be taken to be the allocation of the consideration set out in the prospectus or other offering document. Tax law requires that the consideration for a “unit” be allocated in a reasonable manner between the individual securities comprising the unit. IIROC will accept such allocated amounts as the distribution price for the securities comprising the unit.

8. Are bids for the purchase of a restricted security by an issuer for the purpose of a dividend reinvestment or share purchase plan considered “issuer-restricted person” bids?

Generally, a Participant will be able to undertake purchases for a dividend reinvestment plan, share purchase plan or other similar plan during a restricted period. If a person that is an “issuer-restricted person” (essentially, in these circumstances, any insider of the issuer) is a participant in a dividend reinvestment plan or a share purchase plan, such involvement will not preclude a Participant from acting on purchases by the plan during the restricted period. However, a person who is an “issuer-restricted person” should refer to OSC Rule 48-501 to determine if participation in such plans may be restricted or prohibited during the restricted period.

9. Is a Participant who acts as “adviser” to an issuer that is the target of a securities exchange take-over bid a “dealer-restricted person”?

The definition of dealer-restricted person includes a Participant that has been appointed by the **offeror** to be the dealer-manager, manager or soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid. A Participant acting as an adviser to the target company (the “offeree”) is not a dealer-restricted person.

Guidance: The following is the relevant text of Market Integrity Notice 2006-017 issued on September 1, 2006 under the heading “**Guidance – Securities Trading on Multiple Marketplaces**”. Additional text is set out under Rules 3.1, 5.1, 5.2, 5.3 and 8.1.

Rule 7.7 – Trading During Certain Securities Transactions

Rule 7.7 of UMIR imposes prohibitions or restrictions on a Participant who is a “dealer-restricted person” trading in certain securities during a “restricted period”. During the restricted period, a dealer-restricted person is not permitted to bid for or purchase a restricted security or attempt to “induce or cause any person to purchase a restricted security”. A number of exemptions to this prohibition apply, including exemptions related to the “last independent sale price” of the security. The term “last independent sale price” is defined as including “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”.

As with the determination of the “last sale price” for the purposes of Rule 3.1, IIROC recognizes that, in the absence of an information processor, trade information disseminated by certain marketplaces is not readily incorporated into data feeds provided by other information vendors. IIROC is of the view that a Participant when determining the “last independent sale price” of a particular security may rely on trade information from the “principal market” for the trading of that security. (For a discussion of the concept of “principal market”, see “Rule 3.1 – Restrictions on Short Selling” above.)

Specifically, in the view of IIROC, the highest price at which a Participant that is a “dealer-restricted person” may make a bid or purchase of a restricted security will be the lesser of:

- the last independent sale price of the security on the principal market; or
- the last independent sale price of the security on the marketplace on which the Participant enters the bid or makes the purchase provided such trade occurred subsequent to the last independent sale on the principal market.

Guidance: The following is the relevant text of Rules Notice 09-0007 issued on January 9, 2009 under the heading “**Guidance Note – ‘Principal Market’ Determination for 2009**”.

Summary

This Rules Notice provides guidance on:

- the use of the concept of “principal market” in the application of the Universal Market Integrity Rules (“UMIR); and
- the determination for the 2009 calendar year of the “principal market” for each listed security.

UMIR Requirements

The concept of “principal market” is used in the application of two UMIR provisions:

- Rule 3.1 – Restrictions on Short Selling; and
- Rule 7.7 – Trading During Certain Securities Transactions.

Under Rule 3.1, unless otherwise exempted, a short sale may not be made at a price which is less than the “last sale price”. Under Rule 7.7, a Participant that is involved as an underwriter, agent or adviser in certain securities transactions may not, unless otherwise provided or exempted, purchase or bid for securities that are the subject of the transaction at a price which is above the “last independent sale price”. In determining the “last sale price” for the purpose of Rule 3.1 and the “last independent sale price” for the purpose of Rule 7.7, the Investment Industry Regulatory Organization of Canada (“IIROC”) accepts that a Participant or Access Person may rely on the price of the last applicable trade of a standard trading unit of the particular security on the “principal market” for that security. IIROC has adopted this position since not all marketplaces presently disseminate trade information in a manner that permits the information to be readily incorporated into data feeds provided by information vendors.¹ Reference should be made to Market Integrity Notice 2007-003 – Guidance – Principal Market Determination for 2007 (February 28, 2007) for additional guidance on how the concept of “principal market” is used in the application of these two rules.

Proposed Amendment to Rule 3.1 – Restrictions on Short Selling

On September 7, 2007, IIROC proposed various amendments UMIR including a proposal to repeal price restrictions on short sales (the “tick rule”).² On October 15, 2008, the IIROC published notice of the approval by the applicable securities regulatory authorities of certain of these amendments to UMIR.³ The proposal to repeal the tick rule was deferred because of the then prevailing market conditions and the fact that the regulatory framework governing short selling is under active review in the United States and other foreign jurisdictions. IIROC will continue to monitor developments in the Canadian market and new initiatives

¹ While BlockBook and Liquidnet provide post-trade transparency by means of a web-page available through Reuters, data disseminated in this manner may not be readily incorporated into data feeds provided by other information vendors. In addition, BlockBook presently disseminates trade information through TSXDatalinx though no data vendors currently offer this data other than through the web-page available through Reuters.

² Market Integrity Notice 2007-017 – Request for Comments – Provisions Respect Short Sales and Failed Trades (September 7, 2007).

³ IIROC Notice 08-0143 – Rules Notice – Notice of Approval – UMIR – Provisions Respecting Short Sales and Failed Trades (October 15, 2008).

taken by foreign regulators with respect to short sales and failed trades and determine what additional actions should be taken. **If IIROC pursues and the applicable securities regulatory authorities approve the amendment to UMIR to repeal the tick test**, there would be no need to determine the price of the last sale on the “principal market” when conducting a short sale.

Proposed Amendment to Rule 7.7 – Trading During Certain Securities Transactions

On March 21, 2008, IIROC proposed various amendments UMIR including a proposal to peg the price restriction on purchases of a restricted security to the “best independent bid price” at the time of the entry of the order rather than the “last independent sale price” immediately prior to the execution of the order.⁴ The proposal is currently being reviewed by the applicable securities regulatory authorities. **If the applicable securities regulatory authorities approve the amendment to UMIR to peg price restrictions to the “best independent bid price”**, there would be no need to determine the price of the last sale on the “principal market” when a Participant subject to Rule 7.7 is purchase or bids for a restricted security.

Determination of “Principal Market” for 2009

IIROC initially set out its criteria for the determination of the “principal market” in Market Integrity Notice 2006-017 – Guidance – Securities Trading on Multiple Marketplaces (September 1, 2006). IIROC considers a marketplace to be the “principal market” for the trading of the security if:

- trade data from the marketplace is disseminated in real-time and electronically through one or more information vendors;
- in the previous calendar year, the marketplace had the largest trading volume for that security as among the marketplaces that disseminated trade data in real-time and electronically through one or more information vendors; and
- the security continues to be traded on that marketplace.

For securities that were listed on an Exchange⁵ on January 1, 2009, the “principal market” during 2009 is the Exchange on which the security is listed. For any security that was not listed or traded on a marketplace as of January 1, 2009, IIROC would consider the “principal market” during 2009 to be:

- in the case of a listed or quoted security, the marketplace on which the security is first listed or quoted and on which the security continues to trade; or
- in the case of security other than a listed security or quoted security, the marketplace on which the security is first traded and continues to trade.

If a security that was listed on an Exchange as of January 1, 2009 “inter-lists” during the 2009 calendar year on another Exchange, the Exchange on which the security was listed as of January 1, 2009 will remain the “principal market” throughout 2009 provided the security continues to trade on that Exchange. If the security “delists” from the original exchange, the second exchange will become the “principal market” for the balance of 2009 after the date the security is delisted from the original Exchange.

General Commentary:

A current list of the securities which have been designated to be excluded from the definition as an “Exempt Exchange-traded Fund” is available on the website of the Investment Industry Regulatory Organization of Canada (at www.iiroc.ca) and may be accessed through the “Quick Links” on the homepage.

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 www.iiroc.ca) and may be accessed through the “Quick Links” on the homepage.

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 www.iiroc.ca) and may be accessed through the “Quick Links” on the homepage.

Disciplinary Proceedings:

In the Matter of David William Trim (“Trim”) (October 30, 2002) OOS 2002-005

Facts – On January 16, 2001, Trim, a trader employed by BMO Nesbitt Burns Inc. (“BMO”), entered into a trade for shares of a company at a price in excess of the maximum permitted stabilization price during a restricted period which the security was subject to. In a separate transaction, on September 6, 2001, Trim, entered into a trade to cover an outstanding short position in a security that, at the time of the trade, was on BMO’s restricted list. Trim was advised by BMO’s Corporate Compliance Department that he could cover his outstanding short position so

⁴ Market Integrity Notice 2008-005 – Request for Comments – Provisions Respecting Trading during Certain Securities Transactions (March 21, 2008).

⁵ UMIR defines an “Exchange” as a person recognized by a securities regulatory authority in Canada under securities legislation to carry on business as an exchange in Canada.

long as the bid or purchase price was not higher than the maximum permitted stabilization price, in this case \$4.50. Trim subsequently entered into a trade for the shares at \$4.54.

Disposition – Trim executed prohibited trades in two securities at a time when BMO was involved in a distribution of these securities and had restricted trading of the securities.

Requirements Considered – TSX Rules 7-106(b) and 4-303. Comparable UMIR Provision - Rule 7.7

Sanction - \$10,000 fine and costs of \$3,500

Disciplinary Proceedings: Rule 7.7(5)(pre-May 2005 version) was considered **In the Matter of Scotia Capital Inc. ("Scotia") (February 26, 2007) DN 2007-001.** See Disciplinary Proceedings under Rule 6.4.

Disciplinary Proceedings: Rule 7.7(5)(pre-May 2005 version) was considered **In the Matter of Marc McQuillen ("McQuillen") (February 28, 2007) DN 2007-002.** See Disciplinary Proceedings under Rule 6.4.

Disciplinary Proceedings: **In the Matter of Global Securities Corporation ("Global") (December 3, 2007) DN 2007-005**

Facts – Between October 6, 2005, and November 16, 2005, Global, while acting as an underwriter for a private placement of securities for Jasper Mining Corporation ("Jasper"), entered twenty-five orders to buy shares of Jasper (resulting in forty-three trades) for non-client, inventory and client accounts (on a solicited or discretionary basis).

Disposition – Subject to certain exemptions, UMIR imposes trading restrictions on a dealer with an interest in the outcome of the distribution of securities or other transactions ("Dealer-Restricted Person"). During the relevant period, Global was a Dealer-Restricted Person, and as such, was prohibited from bidding for or purchasing shares of Jasper for its own account, for an account over which Global exercised direction or control or soliciting the purchase of shares of Jasper. By purchasing shares of Jasper for non-client, inventory and client accounts over which Global had discretion or solicited such purchase, Global did harm to the reputation of the marketplace and the public's perception of the capital markets.

Requirements Considered – Rule 7.7

Sanction – \$65,000 fine and costs of \$25,000