

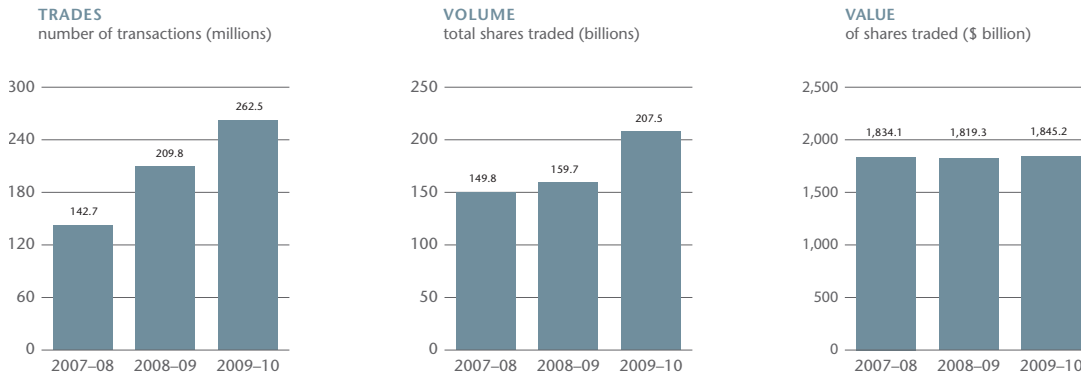
Focus on

Markets



WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Used technology to increase market surveillance capacity.	Developed Surveillance Technology Enhancement Platform (STEP), an enhanced, highly scalable and flexible system.	STEP will enable IIROC to respond to changing market structure and escalating volumes.
Undertook comprehensive consultation to obtain stakeholder views on market issues.	Issued joint CSA/IIROC consultation paper “Dark Pools, Dark Orders and Other Developments in Market Structure in Canada.” With CSA, hosted Dark Pools Forum attended by 150 industry participants.	Effective consultation leads to better rule making and more balanced regulation.

Activity on the equity marketplaces whose trading activity is regulated by IIROC



High traffic in orders*

52:1 ratio of orders to trades

2009-10 orders: **13,542,279,733**
 2009-10 trades: **262,472,286**

* Note: For marketplaces whose trading activity is regulated by IIROC.

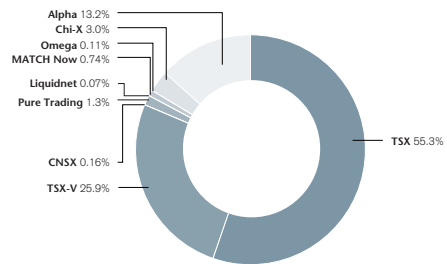
Last year we monitored more than 262 million trades on the three exchanges and six alternative trading systems we regulate, a sharp increase over the previous year. Daily 'message' traffic – which includes quotes, orders and cancels as well as trades – reached an average of more than 100 million, up more than tenfold in a period of just four years. The ratio of orders to completed trades for marketplaces as a whole has risen from about 20:1 to more than 50:1 in the same period. In fact, we experienced a single-day record of more than 330 million messages in the spring of 2010.

We have worked to ensure that trading rules and market supervision keep pace with this rapidly evolving market structure. We have also effectively used technology to increase our surveillance capacity.

We began implementing our Surveillance Technology Enhancement Platform (STEP). This new surveillance system includes direct regulatory feeds from all nine Canadian marketplaces and combines them, for simultaneous surveillance, into a single, virtual marketplace. In addition, STEP increases our surveillance capacity and gives us the ability to create

Canada's multiple marketplace:

Where trading took place in 2009-10 (by volume*)



* Note: Represented as an average of the percentages for four quarters. (Not weighted for differences in trading activity between each quarter.)

cross-market alerts and generate consolidated surveillance reports that provide more effective market surveillance.

Together with the Canadian Securities Administrators, we have also been closely monitoring current market structure issues such as dark pools, high frequency trading, co-location and direct market access in order to develop appropriate policy and operational responses. Also with the CSA, in light of the events of the May 6th "Flash Crash," IIROC is exploring implementation of single stock circuit breakers and reviewing the current Canadian market-wide circuit breakers and exchange and ATS specific freeze and reject parameters.

We are also conducting a review of current IIROC policies and practices with respect to re-pricing and cancelling trades, in order to make the criteria for intervening in trades more transparent. This, in turn, will provide greater predictability, enhance confidence and allow market participants to better understand and hedge their risks.