



IIROC Market Regulation Fee Model Message Definition Guideline

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1. About this Document

1.1 Introduction

The Investment Industry Regulatory Organization of Canada (IIROC) is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity markets.

This document is a guideline to help explain the definition of a message in IIROC's new Market Regulation fee model.

1.2 Intended Audience

This document has been specifically written for the Participating Organizations ("PO") and the Canadian equity marketplaces. The material contained in this document will be of interest to PO's trading and financial departments. It builds on other materials (e.g., mock invoices, IIROC Notices 10-0316, 11-0125, 12-0043 and 12-0085) already provided to help IIROC members prepare for implementation of the new fee models.

2. Message Counts

2.1 Message Definition

The term messages in the Market Regulation fee model refer to marketplace accepted order and trade events that are received in IIROC's surveillance monitoring system (STEP) from a marketplace. IIROC receives this information from the markets via a FIX Market Regulation Feed (MRF). It is important to note that the MRF does not contain information identical to that exchanged bi-directionally between the broker and the market. Some of the differences that might pertain to the Market Regulation fee model will be noted in the sections below.

2.2 How Messages Are Counted

In general, any event pertaining to the life of a marketplace accepted order or trade and received by STEP will be counted as a message. These include PO-initiated events such as buy or sell orders, amendments to existing orders, and order cancellations, as well as market-initiated events such as order re-pricing and unsolicited fills and cancels. Messages from a marketplace to a PO (e.g., reject messages and pending order acknowledgements) that a PO may see on their FIX feed from a marketplace are not included in the IIROC message count. Similarly, system status messages to and from a PO and marketplace (e.g., a heartbeat between a PO and a marketplace) are not counted in IIROC message counts.

The following table shows a breakdown of how messages are counted:

STEP Message Type	Description	Counted as...
ENTER	Buy and sell orders	Message
AMEND	Amendments to orders	Message
DELETE	A delete of an order	Message
PENDING ORDER	An order that is not active (i.e. an 'On Stop' order)	Message
TRADE	A trade	Message & Trade
TRADE DELETE	A trade cancel instruction	Message & Trade
OFF-MARKET TRADE	Often used to re-enter a trade correction	Message & Trade

Other points to note:

- Trade-related events increase both message and trade count by 0.5 per side of the trade instead of 1 as these events include two sides.
- Order amendments behave differently depending on the marketplace. Some will provide one amendment message which is counted as one message by IIROC. Others will send a cancel and then a replacement order, which is counted as two messages.
- Price updates for visible pegged orders (excluding *mid-price* pegged orders) will generate an order amend message on the MRF, and as such, is counted as a message

- Carried over orders (GTC, GTD) are sent to IIROC as new entries each day, thus creating a new message for every day the order is active.
- Trade cancels and trade corrections are both counted separately by IIROC and will be included in the totals for both messages and trades.
- Intentional cross orders are counted as a buy and a sell, and as such, are counted as two messages.
- Quotes are not included in IIROC’s message count.
- Some marketplace models require three trade messages to execute a trade (one message with an indicative price, another to cancel the first message, and a third for the trade with the final price).

2.3 Message Counting Examples

The examples provided below are meant to illustrate the definition in 2.1 and 2.2 and are not meant as an exhaustive list.

New order then cancelled:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
Order Cancelled	DELETE	1	
Total		2	

New order with partial trades to fill order:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
Partial Trade	TRADE	0.5	0.5
Partial Trade	TRADE	0.5	0.5
Total		2	1

New order, amended using one message, traded:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
CFO	AMEND	1	
Trade	TRADE	0.5	0.5
Total		2.5	0.5

New order, amended using two messages, traded:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
CFO	DELETE	1	
Replacement Order	ENTER	1	
Trade	TRADE	0.5	0.5
Total		3.5	0.5

New order, trade, trade cancel and correct:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
Trade	TRADE	0.5	0.5
Trade Cancel	TRADE DELETE	0.5	0.5
Trade Correction	OFF-MARKET TRADE	0.5	0.5
Total		2.5	1.5

New on-stop order, triggered and traded:

Description	Event	Message Count	Trade Count
New On-Stop Order	PENDING ORDER	1	
On-Stop Triggered	AMEND	1	
Trade	TRADE	0.5	0.5
Total		2.5	0.5

New Fill or Kill order that doesn't trade:

Description	Event	Message Count	Trade Count
New Fill or Kill Order	ENTER	1	
Order Cancelled	DELETE	1	
Total		2	

New Visible Peg Order with price movement then traded:

Description	Event	Message Count	Trade Count
New Visible Peg Order	ENTER	1	
Price Movement by Market	AMEND	1	
Price Movement by Market	AMEND	1	
Price Movement by Market	AMEND	1	
Traded	TRADE	0.5	0.5
Total		4.5	0.5

New Intentional Cross order:

Description	Event	Message Count	Trade Count
New Intentional Cross Order (Buy Side)	ENTER	1	
New Intentional Cross Order (Sell Side)	ENTER	1	
Trade	TRADE	1	1
Total		3	1

IIROC Trade Ruling:

Description	Event	Message Count	Trade Count
New Order	ENTER	1	
Trade	TRADE	0.5	0.5
Trade Cancel	TRADE DELETE	0.5	0.5
Replacement Trade	OFF-MARKET TRADE	0.5	0.5
Total		2.5	1.5

3. Supplementary Information

3.1 Supplementary Billing Information Beyond the Monthly Market Regulation Fee Invoice

IIROC has under the current billing model provided a report showing market regulation fees by trader ID by marketplace to POs who have institutional and DMA clients, and requested this information. Although IIROC is not obligated to provide this information, it was provided in recognition that it can assist POs.

IIROC will be able to provide supplemental raw information/data under the new Market Regulation fee model to those firms that request such information. The format of the information/data will change from previous reports as generating this supplementary data is a time intensive exercise for IIROC. This raw data will provide message and trade counts by trader ID, by marketplace giving POs more information needed to calculate market regulation fees by trader ID. Given the effort required to produce the report, IIROC will charge a monthly fee of \$400 effective with the April, 2012 report to POs that request it.