

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
 - (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 that has been designated as a “short-marking exempt order” in accordance with subclause 6.2(1)(b)(ix).

- (3) Clause (b) of subsection (1) does not apply to an order entered on a marketplace:
 - (a) in furtherance of the Marketplace Trading Obligations 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”

NI 21-101 section 1.4 – Interpretation -- “security”

UMIR section 1.1 – “Access Person”, “derivatives market maker”, “hedge”, “Market Regulator”, “marketplace”, “Marketplace Rules”, “Marketplace Trading Obligations”, “Participant”, “Policy”, “Program Trade”, “related security”, “short sale”, “short-marking exempt order”, “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. See IIROC Notice [08-0143](#) - “Provisions Respecting Short Sales and Failed Trades” (October 15, 2008).

Effective August 26, 2011, the applicable securities commissions approved amendments to Rule 3.2 to replace in subsection (2) the phrase “an Exchange or QTRS in accordance with the Marketplace Rules” with “a marketplace” and to replace the phrase “applicable Market Maker Obligations” with “Marketplace Trading Obligations of that marketplace” and to replace clause (a) of subsection (3) of Rule 3.2. See IIROC Notice [11-0251](#) – “Provisions Respecting Market Maker, Odd Lot and Other Marketplace Trading Obligations” (August 26, 2011).

On March 2, 2012, the applicable securities commissions approved amendments to section 3.2, effective October 15, 2012, to delete the reference in clause (a) of subsection (1) to “or subclause 6.2(1)(b)(ix)” and to repeal and replace subsection (2). See IIROC Notice [12-0078](#) - “Provisions Respecting Regulation of Short Sales and Failed Trades” (March 2, 2012).