

## PART 6 – ORDER ENTRY AND EXPOSURE

### 6.1 Entry of Orders to a Marketplace

- (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of a cent other than an increment of one-half of one cent in respect of an order with a price of less than \$0.50.
- (2) Each order to purchase or sell a listed security or a quoted security entered to trade on a marketplace shall be subject to any special rule or direction issued by the Exchange on which the security is listed or by the QTRS on which the security is quoted with respect to:
  - (a) clearing and settlement; and
  - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.
- (3) Notwithstanding subsection (1), an intentional cross may be entered on a marketplace at a price which is a fraction of a trading increment provided the execution price is a better price for both the order to purchase and the order to sell.
- (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:
  - (a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or
  - (b) the Market Regulator has consented to the entry of such order or orders.
- (5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.
- (6) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:

- (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or
  - (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was not as a result of any intentional or negligent act of the client or non-client.
- (7) A Participant shall not enter an order on a marketplace or permit an order to be transmitted to a marketplace containing the identifier of the Participant unless the order has been:
- (a) received, processed and entered on the marketplace by an employee of the Participant who is registered in accordance with applicable securities legislation to perform such functions; or
  - (b) has been entered on a marketplace or transmitted to a marketplace through:
    - (i) direct electronic access,
    - (ii) a routing arrangement, or
    - (iii) an order execution service.
- (8) An Access Person shall not enter an order on a marketplace or permit an order to be transmitted to a marketplace containing the identifier of the Access Person unless the order is:
- (a) for the account of the Access Person and not for any other person; or
  - (b) entered by an Access Person who is registered or exempted from registration as an adviser in accordance with applicable securities legislation and the order is for or on behalf of a client of the Access Person acting in the capacity of adviser for that client and not for any other person.
- (9) A marketplace shall not allow an order to be entered on the marketplace unless:
- (a) the order:
    - (i) has been entered by or transmitted through a Participant or Access Person who has access to trading on that marketplace, and
    - (ii) contains the identifier of the Participant or Access Person as assigned in accordance with Rule 10.15; or
  - (b) the order has been generated automatically by the marketplace on behalf of a person who has Marketplace Trading Obligations in order for that person to meet their Marketplace Trading Obligations.

## **POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE**

### **Part 1 – Execution Price of Orders**

*An order may execute at such price increment as established by the marketplace for the execution of such orders and the marketplace shall report the execution price to the information processor and information vendor provided, if required by the information processor or information vendor, the marketplace shall report the price at which the trade was executed as the nearest trading increment and if the price results in one-half of a trading increment the price shall be rounded up to the next trading increment.*

<b>Defined Terms:</b>	<p>NI 14-101 section 1.1(3) – “securities legislation”</p> <p>NI 21-101 section 1.1 – “information processor” and “order”</p> <p>NI 21-101 section 1.4 – Interpretation -- “security”</p> <p>UMIR section 1.1 – “Access Person”, “better price”, “client order”, “direct electronic access”, “Exchange”, “failed trade”, “intentional cross”, “listed security”, “Market Regulator”, “marketplace”, “Marketplace Trading Obligations”, “non-client order”, “order execution service”, “Participant”, “Pre-Borrow Security”, “QTRS”, “quoted security”, “routing arrangement”, “short sale” and “trading increment”</p> <p>UMIR section 1.2(2) – “trade”</p>
<b>Related Provision:</b>	UMIR section 10.15
<b>Regulatory History:</b>	<p>Effective March 9, 2007, the applicable securities commissions approved an amendment to subsection (1) of Rule 6.1 to add the phrase “in respect of an order with a price of less than \$0.50” at the end of the subsection and to add Part 1 of Policy 6.1. See Market Integrity Notice <a href="#">2007-002</a> – “<b>Provisions Respecting Competitive Marketplaces</b>” (February 26, 2007).</p> <p>On March 2, 2012, the applicable securities commissions approved an amendment to section 6.1, effective October 15, 2012, to add a new subsection (3). See IIROC Notice <a href="#">12-0078</a> – “<b>Provisions Respecting Regulation of Short Sales and Failed Trades</b>” (March 2, 2012). Effective March 1, 2014, this subsection is renumbered subsection (6) and subsections (7)-(9) relating to third-party electronic access to marketplaces are added. See IIROC Notice <a href="#">13-0184</a> “<b>Provisions Respecting Third-Party Electronic Access to Marketplaces</b>” (July 4, 2013).</p> <p>On April 13, 2012, the applicable securities commissions approved amendments to section 6.1, effective October 10, 2012, to add subsections (3), (4) and (5). See IIROC Notice <a href="#">12-0130</a> – “<b>Provisions Respecting Dark Liquidity</b>” (April 13, 2012).</p> <p>On April 13, 2012, the applicable securities commissions approved an amendment to Policy 6.1, effective October 10, 2012, to repeal and replace Part 1. See IIROC Notice <a href="#">12-0130</a> – “<b>Provisions Respecting Dark Liquidity</b>” (April 13, 2012). Prior to that effective date, Part 1 provided:</p> <p style="padding-left: 40px;"><b>Part 1 – Exceptions for Certain Types of Orders</b></p> <p style="padding-left: 40px;">Notwithstanding that all orders for a security at a price of \$0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as a Basis Order, Call Market Order or a Volume-Weighted Average Price Order may execute at such price increment as established by the marketplace for the execution of such orders provided, unless otherwise permitted by the information processor or information vendor, that the marketplace shall report the price at which the trade was executed to the information processor or an information vendor as the nearest trading increment and if the price results in one-half of a trading increment the price shall be rounded up to the next trading increment.</p> <p>On July 4, 2013, the applicable securities commissions approved amendments to section 6.1, effective March 1, 2014, to add subsections (7), (8) and (9) and to renumber former subsection 6.1(3) as 6.1(6). See IIROC Notice <a href="#">13-0184</a> - “<b>Provisions Respecting Third-Party Electronic Access to Marketplaces</b>” (July 4, 2013). <b>Guidance:</b> See question 4 in IIROC Notice <a href="#">12-0295</a> - “<b>Specific Questions Related To Dark Liquidity Rule Amendments</b>” (October 9, 2012).</p>