PART 7 – TRADING IN A MARKETPLACE

7.1 Trading Supervision Obligations

(1) Each Participant shall develop, implement and maintain written policies and procedures to be followed by directors, officers, partners and employees of the Participant that are reasonably designed, taking into account the business and affairs of the Participant, to ensure compliance with UMIR and each Policy.

(2) Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with:

(a) applicable regulatory standards with respect to the review, acceptance and approval of orders;

(b) the policies and procedures adopted in accordance with subsection (1); and

(c) all requirements of UMIR and each Policy.

(3) Each Participant shall appoint a head of trading who shall be responsible to supervise the trading activities of the Participant in a marketplace.

(4) The head of trading together with each person who has authority or supervision over or responsibility to the Participant for an employee of the Participant shall fully and properly supervise such employee as necessary to ensure the compliance of the employee with UMIR and each Policy.

(5) Notwithstanding any other provision of this Rule, a Participant or Access Person shall not mark an order on entry to a marketplace as a directed action order unless the Participant or Access Person has established, maintained and ensured compliance with written policies and procedures that are reasonably designed to prevent trade-throughs other than those trade-throughs permitted in Part 6 of the Trading Rules.

(6) Notwithstanding any other provision of this Rule, a Participant or an Access Person shall adopt, document and maintain a system of risk management and supervisory controls, policies and procedures reasonably designed, in accordance with prudent business practices, to ensure the management of the financial, regulatory and other risks associated with:

(a) access to one or more marketplaces; and

(b) if applicable, the use by the Participant, any client of the Participant or the Access Person of an automated order system.

(7) A Participant may, on a reasonable basis:

(a) authorize an investment dealer to perform on its behalf the setting or adjusting of a specific risk management or supervisory control, policy or procedure; or

(b) use the services of a third party that provides risk management and supervisory controls, policies and procedures.

(8) An authorization over the setting or adjusting of a specific risk management or supervisory control, policy or procedure or retaining the services of a third party under subsection (7) must be in a written agreement with the investment dealer or third party that;

(a) precludes the investment dealer or third party from providing any other person control over any aspect of the specific risk management or supervisory control, policy or procedure;

(b) unless the authorization is to an investment dealer that is a Participant, precludes the authorization to the investment dealer over the setting or adjusting of a specific risk management or supervisory control, policy or procedure respecting an account in which the investment dealer or a related entity of the investment dealer holds a direct or indirect interest other than an interest in the commission charged on a transaction or reasonable fee for the administration of the account; and

(c) precludes the use of a third party unless the third party is independent of each client of the Participant other than affiliates of the Participant.

(9) A Participant shall forthwith notify the Market Regulator:

(a) upon entering into a written agreement with an investment dealer or third party described in subsection (8), of:

(i) the name of the investment dealer or third party, and

(ii) the contact information for the investment dealer or the third party which will permit the Market Regulator to deal with the investment dealer or third party immediately following the entry of an order or execution of a trade for which the Market Regulator wants additional information; and

(b) of any change in the information described in clause (a).

(10) The Participant shall review and confirm:

(a) at least annually that:

(i) the risk management and supervisory controls, policies and procedures under subsection (6) are adequate,

(ii) the Participant has maintained and consistently applied the risk management and supervisory controls, policies and procedures since the establishment of the controls, policies and procedures or the date of the last annual review, and

(iii) any deficiency in the adequacy of a control, policy or procedure has been documented and promptly remedied;

(b) if the Participant has authorized an investment dealer to perform on its behalf the setting or adjusting of a specific risk management or supervisory control, policy or procedure or retained the services of a third party, at least annually by the anniversary date of the written agreement with the investment dealer or third party that:

(i) the risk management and supervisory controls, policies and procedures adopted by the investment dealer or third party under subsection (6) are adequate,

(ii) the investment dealer or third party has maintained and consistently applied the risk management and supervisory controls, policies and procedures since the establishment of the controls, policies and procedures or the date of the last annual review,

(iii) any deficiency in the adequacy of a control, policy or procedure has been documented by the Participant and promptly remedied by the investment dealer or third party, and

(iv) the investment dealer or third party is in compliance with the written agreement with the Participant.

POLICY 7.1 – TRADING SUPERVISION OBLIGATIONS

Part 1 – Responsibility for Supervision and Compliance

For the purposes of Rule 7.1, a Participant shall supervise its employees, directors and officers and, if applicable, partners to ensure that trading in securities on a marketplace (an Exchange, QTRS or ATS) is carried out in compliance with the applicable Requirements (which includes provisions of securities legislation, UMIR, the Trading Rules and the Marketplace Rules of any applicable Exchange or QTRS). An effective supervision system requires a strong overall commitment on the part of the Participant, through its board of directors, to develop and implement a clearly defined set of policies and procedures that are reasonably designed to prevent and detect violations of Requirements. The board of directors of a Participant is responsible for the overall stewardship of the firm with a specific responsibility to supervise the management of the firm. On an ongoing basis, the board of directors must ensure that the principal risks for non-compliance with Requirements have been identified and that appropriate supervision and compliance procedures to manage those risks have been implemented.

Management of the Participant is responsible for ensuring that the supervision system adopted by the Participant is effectively carried out. The head of trading and any other person to whom supervisory responsibility has been delegated must fully and properly supervise all employees under their supervision to ensure their compliance with Requirements. If a supervisor has not followed the supervision procedures adopted by the Participant, the supervisor will have failed to comply with their supervisory obligations under Rule 7.1(4).

When the Market Regulator reviews the supervision system of a Participant (for example, when a violation occurs of Requirements), the Market Regulator will consider whether the supervisory system is reasonably well designed to prevent and detect violations of Requirements and whether the system was followed.

The compliance department is responsible for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. In doing so, the compliance department must have a compliance monitoring system in place that is reasonably designed to prevent and detect violations. The compliance department must report the results from its monitoring to the Participant's management and, where appropriate, the board of directors, or its equivalent. Management and the board of directors must ensure that the compliance department is adequately funded, staffed and empowered to fulfill these responsibilities.

The obligation to supervise applies whether the order is entered on a marketplace:

- *by a trader employed by the Participant,*
- *by an employee of the Participant through an order routing system,*
- *directly by a client and routed to a marketplace through the trading system of the Participant, or*
- *by any other means.*

In performing the trading supervision obligations, the Participant will act as a "gatekeeper" to help prevent and detect violations of applicable Requirements.

When an order is entered on a marketplace by direct electronic access, under a routing arrangement or through an order execution service, the Participant retains responsibility for that order and the supervision policies and procedures should adequately address the additional risk exposure which the Participant may have for orders that are not directly handled by staff of the Participant. For example, it may be appropriate for the Participant to sample for compliance testing a higher percentage of orders that have been entered by a client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or a client through an order execution service than the percentage of orders sampled in other circumstances.

In addition, the "post order entry" compliance testing should recognize that the limited involvement of staff of the Participant in the entry of orders by a client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or a client through an order execution service may restrict the ability of the Participant to detect orders that are not in compliance with specific rules. For example, "post order entry" compliance testing may be focused on whether an order entered by a client under direct electronic access , an investment dealer or foreign dealer equivalent under a routing arrangement or a client through an order execution service:

- *has created an artificial price contrary to Rule 2.2;*
- *is part of a "wash trade" (in circumstances where the client has more than one account with the Participant);*
- *is an unmarked short sale (if the trading system of the Participant does not automatically code as "short" any sale of a security not then held in the account of the client other than a client required to use the "short-marking exempt" designation); and*
- *has complied with other order marking requirements and in particular the requirement to mark an order as from an insider or significant shareholder (unless the trading system of the Participant restricts trading activities in affected securities).*

Part 2 – Minimum Elements of a Supervision System

For the purposes of Rule 7.1, a supervision system consists of both policies and procedures aimed at preventing violations from occurring and compliance procedures aimed at detecting whether violations have occurred.

The Market Regulator recognizes that there is no one supervision system that will be appropriate for all Participants. Given the differences among firms in terms of their size, the nature of their business, whether they are engaged in business in more than one location or jurisdiction, the experience and training of their employees and the fact that effective compliance can be achieved in a variety of ways, this Policy does not mandate any particular type or method of supervision of trading activity. Furthermore, compliance with this Policy does not relieve Participants from complying with specific Requirements that may apply in certain circumstances. In particular, in accordance with subsection (2) of Rule 10.1, orders entered (including orders entered by a client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or by a client through an order execution service) must comply with the Marketplace Rules on which the order is entered and the Marketplace Rules on which the order is executed.

Participants must develop, implement and maintain supervision and compliance procedures that exceed the elements identified in this Policy where the circumstances warrant. For example, previous disciplinary proceedings, warning and caution letters from the Market Regulator or the identification of problems with the supervision system or procedures by the Participant or the Market Regulator may warrant the implementation of more frequent supervision or compliance testing and more detailed supervision or compliance procedures.

Regardless of the circumstances of the Participant, however, every Participant must:

1. *Identify the relevant Requirements, securities laws and other regulatory requirements that apply to the lines of business in which the Participant is engaged (the "Trading Requirements").*
2. *Document the supervision system by preparing a written policies and procedures manual. The manual must be accessible to all relevant employees. The manual must be kept current and Participants are advised to maintain an historical copy.*
3. *Ensure that employees responsible for trading in securities are appropriately registered and trained and that they are knowledgeable about the Trading Requirements that apply to their responsibilities. Persons with supervisory responsibility must ensure that employees under their supervision are appropriately registered and trained. Each Participant should provide a continuing training and education program to ensure that its employees remain informed of and knowledgeable about changes to the rules and regulations that apply to their responsibilities.*
4. *Designate individuals responsible for supervision and compliance. The compliance function must be conducted by persons other than those who supervise the trading activity.*
5. *Develop and implement supervision and compliance procedures that are appropriate for the Participant's size, lines of business in which it is engaged and whether the Participant carries on business in more than one location or jurisdiction.*

6. *Identify the steps the Participant will take when a violation or possible violation of a Requirement or any regulatory requirement has been identified. These steps shall include the procedure for the reporting of the violation or possible violation to the Market Regulator if required by Rule 10.16. If there has been a violation or possible violation of a Requirement, identify the steps that would be taken by the Participant to determine if:*
    - *additional supervision should be instituted for the employee, the account or the business line that may have been involved with the violation or possible violation of a Requirement; and*
    - *the written policies and procedures that have been adopted by the Participant should be amended to reduce the possibility of a future violation of the Requirement.*
7. *Review the supervision system at least annually to ensure it continues to be reasonably designed to prevent and detect violations of Requirements. More frequent reviews may be required if past reviews have detected problems with supervision and compliance.*
8. *Document each step of the compliance review process to include details of the following:*
    - *individual(s) who conducted the review*
    - *date(s) of the review*
    - *sources of information used to conduct the review, including the initial alert that may have been triggered*
    - *sample(s) used to conduct the review and the criteria for sample selection (if samples are used)*
    - *queries made to the trader, client, and anyone else who handled the order, if any*
    - *results of the review*
    - *measures taken to escalate concerns , if any*
    - *corrective actions taken, if any.*
9. *Maintain results of all reviews for at least five years.*
10. *Report to the board of directors of the Participant or, if applicable, the partners, a summary of the compliance reviews conducted and the results of the supervision system review. These reports must be made at least annually. If the Market Regulator or the Participant identifies significant issues concerning the supervision system or compliance procedures, the board of directors or, if applicable, the partners, must be advised immediately.*

Part 3 – Supervision and Compliance Procedures for Trading on a Marketplace

Each Participant must develop, implement and maintain supervision and compliance procedures for trading in securities on a marketplace that are appropriate for its size, the nature of its business and whether it carries on business in more than one location or jurisdiction. Such procedures should be developed having regard to the training and experience of its employees and whether the firm or its employees have been previously disciplined or warned by

the Market Regulator concerning the violations of the Requirements. Participants must identify any high-risk areas and ensure that their policies and procedures are adequately designed to address these heightened risks.

In developing supervision systems, Participants must identify any exception reports, trading data and any other relevant documents to be reviewed. In appropriate cases, relevant information that cannot be obtained or generated by the Participant should be sought from sources outside the firm including from the Market Regulator.

Each Participant must develop written policies and procedures in relation to all Requirements that apply to their business activities. A Participant's supervision system must at a minimum include the regular review of compliance with respect to the following provisions for trading on a marketplace where applicable to their lines of business:

- *Audit Trail requirements (Rule 10.11)*
- *Electronic Access to Marketplaces (Rule 7.1)*
- *Specific Unacceptable Activities (Rule 2.1)*
- *Manipulative and Deceptive Activities (Rule 2.2)*
- *Trading in restricted securities (Rule 7.7)*
- *Trading of grey list securities (Rule 2.2)*
- *Disclosure requirements (Rule 10.1)*
- *Frontrunning (Rule 4.1)*
- *Client/Principal Trading (Rule 8.1)*
- *Client Priority (Rule 5.3)*
- *Best Execution (Rule 5.1)*
- *Order Exposure requirements (Rule 6.3)*
- *Time synchronization requirements (Rule 10.14).*

Each Participant must develop, implement and maintain a risk-based supervision system that identifies and prioritizes those areas that pose the greatest risk of violations of Requirements. This enables the Participant to focus its review on the areas that pose a higher risk of non-compliance with Requirements. The frequency of review and sample size used in reviews must be commensurate with, among other things:

- *the Participant's size (considering factors such as revenue, market share, market exposure and volume of trades)*
- *the Participant's organizational structure*
- *number and location of the Participant's offices*
- *the nature and complexity of the products and services offered by the Participant*
- *the number of registrants assigned to a location*
- *the disciplinary history of registered representatives or associated persons*
- *the risk profile of the Participant's business and any indicators of irregularities or misconduct i.e. "red flags".*

Part 4 – Specific Procedures Respecting Client Priority and Best Execution

Each Participant must develop, implement and maintain a supervision system to ensure its trading does not violate Rule 5.3 or 5.1. A Participant must have policies and procedures in place to "diligently pursue the execution of each client order on the

most advantageous execution terms reasonably available under the circumstances". The policies and procedures must:

- *outline a process designed to achieve best execution;*
- *require the Participant, subject to compliance by the Participant with any Requirement, to follow the instructions of the client and to consider the investment objectives of the client;*
- *include the process for taking into account order and trade information from all appropriate marketplaces and foreign organized regulated markets; and*
- *describe how the Participant evaluates whether "best execution" was obtained.*

In order to demonstrate that a Participant has "diligently pursued" the best execution of a particular client order, the Participant must be able to demonstrate that it has abided by the policies and procedures. At a minimum, the written compliance procedures must address employee education and post-trade monitoring.

The purpose of the Participant's compliance review is to ensure that inventory or non-client orders are not knowingly traded ahead of client orders. This would occur if a client order is withheld from entry into the market and a person with knowledge of that client order enters another order that will trade ahead of it. Doing so could take a trading opportunity away from the client. Withholding an order for normal review and order handling is allowed under Rules 5.3 and 5.1, as this is done to ensure that the client gets a good execution. To ensure that a supervision system is effective it must address potential problem situations where trading opportunities may be taken away from clients.

Part 5 – Specific Procedures Respecting Manipulative and Deceptive Activities and Reporting and Gatekeeper Obligations

Each Participant must develop, implement and maintain a supervision system to ensure that orders entered on a marketplace by or through a Participant are not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest in the purchase or sale of a security.

In particular, the policies and procedures must address:

- *the steps to be taken to monitor the trading activities of:*
  - *an insider or an associate of an insider*
  - *part of or an associate of a promotional group or other group with an interest in effecting an artificial price, either for banking and margin purposes, for purposes of effecting a distribution of the securities of the issuer or for any other improper purpose*
- *the steps to be taken to monitor the trading activity of any person who has multiple accounts with the Participant including other accounts in which the person has an interest or over which the person has direction or control*
- *those circumstances when the Participant is unable to verify certain information (such as the beneficial ownership of the account on behalf of which the order is entered, unless that information is required by applicable regulatory requirements)*

- *the fact that orders which are intended to or which affect an artificial price are more likely to appear at the end of a month, quarter or year or on the date of the expiry of options where the underlying interest is a listed security, and*
- *the fact that orders which are intended to or which affect an artificial price or a false or misleading appearance of trading activity or investor interest are more likely to involve securities with limited liquidity.*

A Participant will be able to rely on information contained on a "New Client Application Form" or similar know-your-client record maintained in accordance with requirements of securities legislation or a self-regulatory entity provided such information has been reviewed periodically in accordance with such requirements and any additional practices of the Participant.

While a Participant cannot be expected to know the details of trading activity conducted by a client through another dealer, nonetheless, a Participant that provides advice to a client on the suitability of investments should have an understanding of the financial position and assets of the client and this understanding would include general knowledge of the holdings by the client at other dealers or directly in the name of the client. The supervision system of the Participant should allow the Participant to take into consideration, information which the Participant has collected respecting accounts at other dealers as part of the completion and periodic updating of the "New Client Application Form".

Each Participant must review a sample of its trading for manipulative and deceptive activities at least on a quarterly basis.

Part 6 – Specific Provisions Respecting Trade-throughs

Each Participant must develop, implement and maintain a supervision system to ensure that an order:

- *marked as "directed action order" in accordance with Rule 6.2 does not result in a trade-through other than a trade-through permitted under Part 6 of the Trading Rules; or*
- *entered on a foreign organized regulated market complies with the conditions in subsection (3) of Rule 6.4.*

Each Access Person must adopt written policies and procedures reasonably designed to detect and prevent an order marked as a "directed action order" in accordance with Rule 6.2 from resulting in a trade-through other than a trade-through permitted under Part 6 of the Trading Rules.

The policies and procedures must set out the steps or process to be followed by the Participant or Access Person to ensure that the execution of an order does not result in a trade-through. The policies and procedures must specifically address the circumstances when the bypass order marker will be used in conjunction with a "directed action order". These policies and procedures must address the steps which the Participant or Access Person will undertake on a regular basis, which shall not be less than monthly, to test that the policies and procedures are adequate.

Part 7 – Specific Provisions Applicable to Electronic Access

Trading supervision related to electronic access to marketplaces must be performed by a Participant or Access Person in accordance with a documented system of risk management and supervisory controls, policies and procedures reasonably designed to ensure the management of the financial, regulatory and other risks associated with electronic access to marketplaces.

The risk management and supervisory controls, policies and procedures employed by a Participant or Access Persons must include:

- *automated controls to examine each order before entry on a marketplace to prevent the entry of an order which would result in:*
  - *the Participant or Access Person exceeding pre-determined credit or capital thresholds*
  - *a client of the Participant exceeding pre-determined credit or other limits assigned by the Participant or to that client, or*
  - *the Participant, Access Person or client of the Participant exceeding pre-determined limits on the value or volume of unexecuted orders for a particular security or class of securities*
- *provisions to prevent the entry of an order that is not in compliance with applicable Requirements*
- *provision of immediate order and trade information to compliance staff of the Participant or Access Person*
- *regular post-trade monitoring for compliance with Requirements.*

A Participant or Access Person is responsible and accountable for all functions that they outsource to a service provider as set out in Part 11 of Companion Policy 31-103CP Registration Requirements and Exemptions.

Supervisory and compliance monitoring procedures must be designed to detect and prevent account activity that is or may be a violation of Requirements which includes applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place. These procedures must include "post-order entry" compliance testing enumerated under Part 1 of Policy 7.1 to detect orders that are not in compliance with specific rules, and by addressing steps to monitor trading activity, as provided under Part 5 of Policy 7.1, of any person who has multiple accounts, with the Participant and other accounts in which the person has an interest or over which the person has direction or control.

Part 8 – Specific Provisions Applicable to Automated Order Systems

Trading supervision by a Participant or Access Person must be in accordance with a documented system of risk management and supervisory controls, policies and procedures reasonably designed to ensure the management of the financial, regulatory and other risks associated with the use of an automated order system by the Participant, the Access Person or any client of the Participant.

Each Participant or Access Person must have a level of knowledge and understanding of any automated order system used by the Participant, the Access Person or any client of the Participant that is sufficient to allow the Participant or Access Person to identify and manage the risks associated with the use of the automated order system.

The Participant or Access Person must ensure that every automated order system used by the Participant, the Access Person or any client of the Participant is tested in accordance with prudent business practices initially before use and at least annually thereafter. A written record must be maintained with sufficient details to demonstrate the testing of the automated order system undertaken by the Participant, Access Person and any third party employed to provide the automated order system or risk management or supervisory controls, policies and procedures.

The scope of appropriate order and trade parameters, policies and procedures should be tailored to the strategy or strategies being pursued by an automatic order system with due consideration to the potential market impact of defining such parameters too broadly and in any event must be set so as not to exceed the limits publicly disclosed by the Market Regulator for the exercise of the power of a Market Integrity Official under Rule 10.9 of UMIR.

The Market Regulator expects the risk management and supervisory controls, policies and procedures to comply with the Electronic Trading Rules and be reasonably designed to prevent the entry of any order that would interfere with fair and orderly markets. This includes adoption of compliance procedures for trading by clients, if applicable, containing detailed guidance on how testing of client orders and trades is to be conducted to ensure that prior to engagement and at least annually thereafter, each automated order system is satisfactorily tested assuming various market conditions. In addition to regular testing of the automated order systems, preventing interference with fair and orderly markets requires development of pre-programmed internal parameters to prevent or "flag" with alerts on a real-time basis, the entry of orders and execution of trades by an automated order system that exceed certain volume, order, price or other limits.

Each Participant or Access Person must have the ability to immediately override or disable automatically any automated order system and thereby prevent orders generated by the automated order system from being entered on any marketplace.

Notwithstanding any outsourcing or authorization over of risk management and supervision controls, a Participant or Access Person is responsible for any order entered or any trade executed on a marketplace, including any order or trade resulting from the improper operation or malfunction of the automated order system. This responsibility includes instances in which the malfunction which gave rise to a "runaway" algorithm is attributed to an aspect of the algorithm or automated order system that was not "accessible" to the Participant or Access Person for testing.

Part 9 - Specific Provisions Applicable to Direct Electronic Access and Routing Arrangements

Standards for Clients, Investment Dealers and Foreign Dealer Equivalents

In addition to other trading supervision requirements, a Participant that provides direct electronic access or implements a routing arrangement must establish, maintain and apply reasonable standards for granting direct electronic access or a routing arrangement and assess and document whether each client, investment dealer or foreign dealer equivalent meets the standards established by the Participant for direct electronic access or a routing arrangement. The Market Regulator expects that as part of its initial "screening" process, non-institutional investors will be precluded from qualifying for direct electronic access except in exceptional circumstances generally limited to sophisticated former traders and floor brokers or a person or company having assets under administration with a value approaching that of an institutional investor that has access to and knowledge regarding the necessary technology to use direct electronic access. The Participant offering direct electronic access or a routing arrangement must establish sufficiently stringent standards for each client granted direct electronic access or each investment dealer or foreign dealer equivalent under a routing arrangement to ensure that the Participant is not exposed to undue risk and in particular, in the case of a non-institutional client the standards must be set higher than for institutional investors.

The Participant is further required to confirm with the client granted direct electronic access or an investment dealer or foreign dealer equivalent in a routing arrangement, at least annually, that the client, investment dealer or foreign dealer equivalent continues to meet the standards established by the Participant including to ensure that any modification to a previously

"approved" automated order system in use by a client, investment dealer or foreign dealer equivalent continues to maintain appropriate safeguards.

Breaches by Clients with Direct Electronic Access or by Investment Dealers or Foreign Dealer Equivalents in a Routing Arrangement

A Participant that has granted direct electronic access to a client or entered into a routing arrangement with an investment dealer or foreign dealer equivalent must further monitor orders entered by the client, investment dealer or foreign dealer equivalent to identify whether the client, investment dealer or foreign dealer equivalent may have:

- *breached any standard established by the Participant for the granting of direct electronic access or a routing arrangement;*
- *breached the terms of the written agreement regarding the direct electronic access or the routing arrangement;*
- *improperly granted or provided its access under direct electronic access or a routing arrangement to another person;*
- *engaged in unauthorized trading on behalf of the account of another person; or*
- *failed to ensure that its client's orders are transmitted through the systems of the client, or Participant, investment dealer or foreign dealer equivalent (which include proprietary systems or systems that are provided by a third party) before being entered on a marketplace.*

Identifying Originating Investment Dealer or Foreign Dealer Equivalent

In relation to the assignment of a unique identifier to an investment dealer or foreign dealer equivalent in a routing arrangement, if orders are routed through multiple investment dealers or foreign dealer equivalents, the executing Participant is responsible for properly identifying the originating investment dealer or foreign dealer equivalent and must establish and maintain adequate policies and procedures to assure that orders routed by an investment dealer or foreign dealer equivalent to the executing Participant containing the Participant's identifier are also marked with all identifiers and designations relevant to the order as required under Rule 6.2 of UMIR on the entry of the order to a marketplace.

Identifying Clients with Direct Electronic Access

In relation to the assignment of a unique identifier to a client that is granted direct electronic access, the Participant must establish and maintain adequate policies and procedures to assure that orders routed by the client to the executing Participant containing the Participant's identifier are marked with all identifiers and designations relevant to the order as required under Rule 6.2 of UMIR on the entry of the order to a marketplace.

Part 10 – Specific Procedures Respecting Audit Trail and Record Retention Requirements

Each Participant must develop, implement and maintain a supervision system to ensure that an accurate and complete audit trail of orders and trades under Rule 10.11 and Rule 10.12 is recorded and maintained.

At a minimum, policies and procedures regarding audit trail requirements must ensure the accurate recording of the following information for each order and trade as applicable:

- *date and time of entry, amendment, cancellation, execution and expiration*

- *quantity*
- *buy, sell or short-sale marker*
- *market or limit order marker*
- *price (if limit order)*
- *security name or symbol*
- *identity of order recipient or trader*
- *client name or account number and special client instructions*
- *client consent*
- *applicable designations and identifiers under Rule 6.2 (identifier would allow compliance and regulators to track the history of the order, from time of order entry to execution or expiration)*
- *for CFOd orders, subsequent time of entry and quantity or price changes.*

Sample sets must be randomly selected to proportionately cover orders and trades related to all lines of business of a Participant. Reviews for compliance with Audit Trail Requirements must be carried out at least on a quarterly basis and reviews for compliance with Record Retention Requirements must be carried out at least annually.

Part 11 – Specific Procedures Respecting Order Handling

Each Participant must develop, implement and maintain a supervision system to ensure that its trading does not violate order exposure requirements under Rule 6.3 or client priority requirements under Rule 8.1. Reviews for compliance with these provisions must at a minimum include:

- *verifying that client orders of 50 standard trading units or less are not withheld from the market without a valid exemption from order exposure rule*
- *reviewing client-principal trades of 50 standard trading units or less with a trade value of $ 100,000 or less for compliance with client-principal rules.*

Each Participant must review the order entry and trading described above at least quarterly.

Part 12 – Specific Provisions Respecting Grey List and Restricted Securities

Each Participant must develop, implement and maintain a supervision system to review securities:

- *about which a Participant may have non-public information (e.g. Grey or Watch list)*
- *subject to trading restrictions with respect to Rule 7.7 or any other Requirement (e.g. Restricted List)*
- *trading outside Canada during Regulatory halts, delays and suspensions (e.g.CTO halts).*

Policies and procedures designed to monitor trading around Grey and Restricted list securities must consider:

- *insider trading requirements under subsection 76.(1) of Securities Act (Ontario) and similar provisions that prohibit a person or company in a special relationship with a reporting issuer from purchasing or selling such securities with knowledge of a material change that has not been generally disclosed*
- *OSC Policy 33-601- Guidelines for Policies and Procedures Concerning Insider Information.*

Each Participant must review the trading described above on a daily basis.

Part 13 – Specific Provisions Respecting Client Disclosures

Each Participant must develop, implement and maintain a supervision system to verify that appropriate trade disclosures are made on client confirmations. To comply with IIROC rules, such disclosures must include:

- *the quantity and description of the security purchased or sold*
- *whether or not the person or company that executed the trade acted as principal or agent*
- *the consideration of the trade (may include average price of the security traded)*
- *the related issuers of the security traded*
- *the date of the trade and name of the marketplace on which the transaction took place (if applicable, Participants may use a general statement that the transaction took place on more than one marketplace or over more than one day)*
- *the name of the salesperson responsible for the transaction*
- *the settlement date of the trade.*

Each Participant must review a sample of trade confirmations at least on a quarterly basis.

Part 14 - Specific Provisions Applicable to Normal Course Issuer Bids ("NCIBs") and Sales from Control Blocks

Each Participant must develop, implement and maintain a supervision system to review NCIB-related trading to ensure:

- *maximum daily and annual stock purchase limits are observed*
- *purchases for NCIBs do not occur while a sale from control for the same security is in effect*
- *NCIB purchases are not made on upticks*
- *NCIB trade reporting to Exchange (if the firm reports on behalf of issuer).*

Each Participant must review trading related to NCIBs described above at least quarterly.

Supervisory policies and procedures must also be designed to review trading related to sales from control blocks. Such reviews must be carried out as when determined necessary by the Participant and must include:

- *reviewing of all known sales from control blocks to ensure regulatory requirements have been met*
- *sampling of large trades to determine if they are undisclosed sales from a control block.*

Defined Terms:	*NI 14-101 section 1.1(3) – "securities legislation"*
	NI 21-101 section 1.1 – "ATS", "order" and "self-regulatory entity"
	NI 21-101 section 1.4 – Interpretation -- "security"
	NI 23-101 section 1.1 – "directed-action order" and "trade-through"
	NI 23-103 section 1 – "automated order system"
	NI 31-103 section 1.1 – "investment dealer"
	UMIR section 1.1 – "Access Person", "client order", "direct electronic access", "document", "Electronic Trading Rules", "employee", "Exchange", "foreign dealer equivalent", "foreign organized regulated market", "insider", "limit order", "listed security", "Market Integrity Official", "Market-on-Close Order", "Market Regulator", "marketplace", "Marketplace Rules", "non-client order", "Participant", "Policy",

	"principal account", "QTRS", "related entity", "Requirements", "routing arrangement", "short sale", "significant shareholder", "standard trading unit", "Trading Rules" and "UMIR" *UMIR section 1.2(2) – "person" and "trade"*
Related Provisions:	*UMIR Policy 1.2 Part 4 – interpretation of "applicable regulatory standards"* *UMIR section 6.2*
Regulatory History:	*Effective April 1, 2005, amendments were made to Policy 7.1 to: Part 1 to clarify supervision requirements (including for direct market access clients) and provide requirements related to post order compliance testing; Part 2 to update the steps required when a violation is identified; and to add a new Part 5 on gatekeeper obligations. Clause (2)(a) of Rule 7.1 was also edited. See Market Integrity Notice 2005-011 –* ***"Provisions Respecting Manipulative and Deceptive Activities"*** *(April 1, 2005).* *On April 17, 2009, the applicable securities commissions approved an amendment to add Part 6 to Policy 7.1, with retroactive application to May 16, 2008. See IIROC Notice 09-0107 –* ***"Provisions Respecting the "Best Price" Obligation"*** *(April 17, 2009).* *In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved amendments to Rule 7.1 and Part 3 of Policy 7.1 that came into force on June 1, 2008 to make editorial changes. See Footnote 1 in Status of Amendments.* *Effective September 12, 2008, the applicable securities commissions approved an amendment to replace the first paragraph of Part 4 of Policy 7.1. See IIROC Notice 08-0039 –* ***"Provisions Respecting Best Execution"*** *(July 18, 2008).* *Effective February 1, 2011, the applicable securities commissions approved amendments to Rule 7.1 to add subsection (5) and to Policy 7.1 to repeal and replace Part 6. See IIROC Notice 11-0036 –* ***"Provisions Respecting the Implementation of the Order Protection Rule"*** *(January 28, 2011).* *On December 7, 2012, the applicable securities commissions approved amendments to add subsections (6), (7), (8), (9) and (10) to Rule 7.1 and to add Parts 7 and 8 of Policy 7.1 which came into force on March 1, 2013. Parts 1, 2 and 3 of Policy 7.1 were also amended. Please see IIROC Notice 12-0363 –* ***"Provisions Respecting Electronic Trading"*** *(December 7, 2012).* *Effective December 9, 2013, the applicable securities commissions approved amendments to the French version of UMIR. See IIROC Notice 13-0294 –* ***"Amendments to the French version of UMIR"*** *(December 9, 2013).* *On July 4, 2013 the applicable securities commissions approved amendments to revise Parts 1 and 2 of Policy 7.1 and to add a new Part 9 to Policy 7.1, effective March 1, 2014, to reflect changes related to third-party electronic access to marketplaces. See IIROC Notice 13-0184 –* ***"Provisions Respecting Third-Party Electronic Access to Marketplaces"*** *(July 4, 2013).* *Effective January 2, 2018 the applicable securities commissions approved amendments to revise Parts3 and 4 of Policy 7.1 to reflect changes related to best execution. See IIROC Notice 17-0137 – "* ***Amendments Respecting Best Execution*** *" (July 6, 2017).* *Effective March 27, 2018 the applicable securities commissions approved amendments to UMIR 7.1. See IIROC Notice 17-0189* ***"Amendments Respecting Trading Supervision Obligations"*** *(September 28, 2017)*
Guidance:	*See Market Integrity Notice 2003-025 –* ***"Guidelines on Trading Supervision Obligation"*** *(November 28, 2003).*
Repealed Guidance:	*See Market Integrity Notice 2005-006 –* ***"Obligations of an "Access Person" and Supervision of Persons with "Direct Access""*** *(March 4, 2005). This Market Integrity Notice was repealed and replaced effective March 1, 2014 by IIROC Notice 13-0185 –* ***"Guidance Respecting Third-Party Electronic Access to Marketplaces"*** *(July 4, 2013).*
Guidance:	*See Market Integrity Notice 2006-023 –* ***"The Role of Compliance and Supervision"*** *(November 30, 2006).*
Repealed Guidance:	*See Market Integrity Notice 2007-010 –* ***"Compliance Requirements for Dealer-Sponsored Access"*** *(April 20, 2007). This Market Integrity Notice was repealed and replaced effective March 1, 2014 by IIROC Notice 13-0185 –* ***"Guidance Respecting Third-Party Access to Electronic Marketplaces Guidance"*** *(July 4, 2013).*
Guidance:	*See Market integrity Notice 2007-011 –* ***"Compliance Requirements for Order-Execution Services"*** *(April 20, 2007).*
Guidance:	*See Market Integrity Notice 2007-015 –* ***"Specific Questions Related to Trading on Multiple Marketplaces"*** *(August 10, 2007).*
Repealed Guidance:	*See Market Integrity Notice 2008-003 –* ***"Supervision of Algorithmic Trading"*** *(January 18, 2008). This Market Integrity Notice was repealed and replaced effective March 1, 2013 by IIROC Notice 12-*

	*[0364](#) – **"Guidance Respecting Electronic Trading"** (December 7, 2012).*
Repealed Guidance:	*See IIROC Notice [09-0081](#) – **"Specific Questions Related To Supervision of Algorithmic Trading"** (March 20, 2009). This IIROC Notice was repealed and replaced effective March 1, 2013 by IIROC Notice [12-0364](#) – **"Guidance Respecting Electronic Trading"** (December 7, 2012).*
Guidance:	*See IIROC Notice [11-0043](#) – **"Guidance on "Locked" and "Crossed" Markets"** (February 1, 2011).*
Guidance:	*See IIROC Notice [11-0114](#) – **"Guidance Respecting the Use of Certain Order Types"** (March 30, 2011).*
Guidance:	*See IIROC Notice [12-0364](#) – **"Guidance Respecting Electronic Trading"** (December 7, 2012).*
Guidance:	*See IIROC Notice [13-0053](#) – **"Guidance on Certain Manipulative and Deceptive Trading Activities"** (February 14, 2013).*
Guidance:	*See IIROC Notice [13-0185](#) – **"Guidance Respecting Third-Party Electronic Access to Marketplaces"** (July 4, 2013).*
Guidance:	*See IIROC Notice [13-0191](#) – **"Guidance Respecting the Management of Stop Loss Orders"** (July 11, 2013).*
Repealed Guidance:	*See Market Integrity Notice [2003-025](#) **– "Guidelines on Trading Supervision Obligation"** (November 28, 2003) and Market Integrity Notice [2006-023](#) **– "The Role of Compliance and Supervision"** (November 30, 2006). These Market Integrity Notices were repealed and replaced effective March 27, 2018 by IIROC Notice [17-0190](#) – **"Guidance on Trading Supervision Obligations"** (September 28, 2017).*
Guidance:	*IIROC Notice [17-0190](#) – **"Guidance on Trading Supervision Obligations"** (September 28, 2017).*
Technical Notice:	*See IIROC Notice [13-0290](#) – **"Gatekeeper and Notice Requirements For Direct Electronic Access and Routing Arrangements"** (December 3, 2013).*
Disciplinary Proceedings:	***In the Matter of Dominick & Dominick Securities Inc. ("Dominick") (December 19, 2002) OOS 2002-009*** *Facts – During the period of July 1, 1998 to February 1, 1999, an investment advisor at Dominick, in the course of acting for a company engaged in a normal course issuer bid, failed to exercise due diligence in relation to the entry of orders by the company for the purchase of its shares, including from accounts related to or affiliated with the company and its insiders.* *Disposition – Dominick failed to ensure that its employee carried out the issuer bid in compliance with exchange requirements, and failed to exercise due diligence in relation to the entry of orders by the company for the purchase of its shares.* *Requirements Considered – VSE Policy 21.10, VSE Rules F.1.01(1)(b) and B.4.16, VSE By-law 5.01(2). Comparable UMIR Provision - Rule 7.1 and Policy 7.1, reference made to "gatekeeper function" (Rule 10.16 effective April 1, 2005).* *Sanction - $25,000 fine and costs of $5,000; disgorgement of $2,392 in gains.*
Disciplinary Proceedings:	***In the Matter of Georgia Pacific Securities Corporation ("Georgia") (August 18, 2003) OOS 2003-004*** *Facts – Between February 1999 and November 1999, an investment advisor employed by Georgia engaged in a pattern of non-economic trading in client accounts which had a pre-existing debit positions in their accounts. The investment advisor engaged in the practice of buying, and immediately thereafter selling the same share positions in clients' accounts for the sole purpose of causing the clients' account debit position to be re-aged, thereby postponing payment for the debits in the clients' accounts.* *Disposition – The Georgia board of directors was responsible for overall stewardship of supervision and compliance at the firm with specific responsibility to ensure that its employees and officers comply with regulatory requirements. The board failed to establish and apply prudent supervisory and compliance procedures to ensure that its employees adhered to regulatory and exchange requirements.* *Requirements Considered – VSE By-laws 5.07(1) and 5.01(2), VSE Rules F.2.28, F.2.08 and F.1.01. Comparable UMIR Provision - Rule 7.1 and Policy 7.1.* *Sanction - $35,000 fine and costs of $5,000; disgorgement of $21,105 in gains.*
Disciplinary Proceedings:	***In the Matter of Edward Dean Duggan ("Duggan") (August 18, 2003) OOS 2003-005*** *Facts – Between February 1999 and November 1999, Darren Hunter Bell ("Bell") an investment adviser at Georgia Pacific Securities Corporation ("Georgia") engaged in a pattern of non-economic trading on behalf of four client accounts whereby he bought and immediately thereafter sold shares of highly liquid securities for clients' accounts with the sole purpose of causing clients' debit positions to be re-aged, thereby postponing payment for the debits in the clients accounts'.*

	Disposition – As the senior officer of Georgia, Duggan bore responsibility for the conduct of Georgia's business and its management, including ensuring that Georgia's compliance procedures were effective. Duggan failed to diligently supervise or ensure supervision of accounts handled by Bell and failed to establish prudent business and compliance procedures to ensure that Georgia and its employees carried out business in compliance with regulatory requirements. *Requirements Considered – VSE By-laws 5.07(2) and (3) and 5.01(2), VSE Rules F.2.08 and F.1.01. Comparable UMIR Provision* **-** *Rule 7.1 and Policy 7.1.* *Sanction - $20,000 fine and costs of $5,000; suspension from acting in a supervisory capacity for 1 year.*
Disciplinary Proceedings:	***In the Matter of Roger Brian Ashton ("Ashton")** **(August 18, 2003) OOS 2003-006*** *Facts – Between February 1999 and November 1999, Darren Hunter Bell ("Bell") an investment adviser at Georgia Pacific Securities Corporation ("Georgia") engaged in a pattern of non-economic trading on behalf of four client accounts whereby he bought and immediately thereafter sold shares of highly liquid securities for client's accounts with the sole purpose of causing clients' debit positions to be re-aged, thereby postponing payment for the debits in the clients accounts'.* *Disposition – As the senior officer of Georgia, Ashton bore responsibility for the conduct of Georgia's business and its management, including ensuring that Georgia's compliance procedures were effective. Ashton failed to diligently supervise or ensure supervision of accounts handled by Bell and failed to establish prudent business and compliance procedures to ensure that Georgia and its employees carried out business in compliance with regulatory requirements.* *Requirements Considered – VSE By-laws 5.07(2) and (3) and 5.01(2), VSE Rules F.2.08 and F.1.01. Comparable UMIR Provision* **-** *Rule 7.1 and Policy 7.1.* *Sanction - $30,000 fine and costs of $5,000; suspension from acting in a supervisory capacity for 1 year.*
Disciplinary Proceedings:	***In the Matter of Canaccord Capital Corporation ("Canaccord") (October 28, 2003) OOS 2003-007*** *Facts – Client X, a director of Tree Brewing Co. Ltd. ("Tree Brewing"), a Vancouver Stock Exchange listed issuer, controlled a number of accounts at Canaccord. Between August 1, 1998 and March 31, 1999, client X engaged in a pattern of uneconomic and repetitive trading in Tree Brewing which involved the sale and subsequent re-purchase of a comparable number of shares for the purpose of deferring payment for the securities traded.* *Disposition – Canaccord failed to closely monitor trading by the insider, to use due diligence to learn the essential facts concerning each order accepted by its trader and to diligently supervise its traders.* *Requirements Considered – VSE Rules F.2.08 and F.1.01(1). Comparable UMIR Provision* **-** *Rule 7.1 and Policy 7.1* *Sanction - $12,500 fine and costs of $3,000; disgorgement of $7,090.02 in gains*
Disciplinary Proceedings:	***In the Matter of Matthew Philip Linden ("Linden") (November 26, 2003) OOS 2003-012*** *Facts – Between February 1 and July 5, 2000, Linden, the branch manager was responsible for the supervision of 26 employees, including John Scott ("Scott"), an investment advisor at the branch. During this period, the Retail Compliance Department of the dealer identified what appeared to be suspicious trading in the client accounts managed by Scott and also revealed an unusually high portfolio concentration of one specific private placement in each of these clients' accounts. The Retail Compliance Department sent five inquiries to Linden alerting him of trading anomalies and other "red flags" associated with these clients' accounts. In all instances Linden questioned Scott about the compliance inquiries, and in all instances accepted Scott's explanations, concluding that no further investigation or follow-up was required.* *Disposition – As branch manager, Linden was responsible for supervision of all retail trading at the branch. The inquiries received from the Retail Compliance Department should have heightened Linden's review of the clients' accounts and caused him to investigate further rather than just relying on the answers provided by Scott to the Retail Compliance inquiries. In this regard, Linden failed in his supervisory responsibilities as branch manager.* *Requirements Considered – Section 8.34 of the General By-law of the TSX and TSX Rule 2-401(4). Comparable UMIR Provision - Rule 7.1 and Policy 7.1.* *Sanction – $50,000 fine and costs of $12,500; successful completion of the Branch Manager examination.*
Disciplinary Proceedings:	***In the Matter of Canaccord Capital Corporation ("Canaccord") (December 5, 2003) OOS 2003-013*** *Facts – Canaccord employed Kai Tolpinrud ("Tolpinrud") to trade for institutions and quasi-*

	institutional clients, and corporate clients and at the same time permitted him to trade his personal account and inventory accounts. In reliance on this arrangement, between March 1, 2001 and March 11, 2002 Tolpinrud took advantage of client orders and information when acting as agent for the purchase and sale of securities to commit numerous infractions and contraventions including frontrunning, trading opposite his clients, improper client-principal trading and failing to give client orders priority when he entered client and non-client orders. Also, notwithstanding that Tolpinrud was not registered to trade on the CDNX, Canaccord allowed him to enter orders from another trader's terminal. *Disposition – By allowing an arrangement which was prone to a heightened conflict of interest, Canaccord should have known that a high degree of diligence and greater level of supervision was required. Canaccord failed to establish and maintain an appropriate supervisory system to ensure that the handling of client business, inventory trading and pro trading by Tolpinrud was within the bounds of ethical conduct and consistent with just and equitable principals of trade.* *Requirements Considered – CDNX Rules F.2.22, F.2.03 and G.3.01(6); TSX Rules 2-401, 2-404(2) and 4-405(1). Comparable UMIR Provision* **–** *Rule 7.1 and Policy 7.1.* *Sanction – $50,000 fine and costs of $43,000; undertaking to review and implement changes to existing compliance and supervisory systems; other undertakings.*
Disciplinary Proceedings:	***In the Matter of HSBC Securities (Canada) Inc. ("HSBC") (August 23, 2004) SA 2004-005*** *Facts – A 2001 trade desk review conducted by RS of HSBC's trade desk uncovered numerous deficiencies. HSBC was required to remedy the deficiencies and undertake to complete monthly and quarterly reviews – the results of which were to be submitted to RS for review. During a follow-up audit by the RS trade desk review team in 2003, a number of the items identified in the 2001 audit continued to remain unresolved and new issues were identified. HSBC represented to RS that it would redraft its trade review procedures to address the issues identified, and that such procedures would include daily, monthly and quarterly reviews. During a 2004 review, it was discovered that HSBC failed to adhere to its commitment concerning quarterly reports and that quarterly reviews were not conducted by HSBC between January and December 2003. The 2004 trade desk review also found unresolved deficiencies that were identified in the 2001 and 2003 trade desk reviews.* *Disposition – The Board of Directors, Senior Management and the Compliance Department did not meet their respective supervisory obligations. The continued failure of HSBC to identify and address the issues identified by RS during its various trade desk reviews evidenced a Board of Directors and senior management team that were ineffective in their supervisory responsibilities.* *Requirements Considered – Rule 7.1(1) and Policy 7.1.* *Sanction – $625,000 fine and costs of $87,500; implementation of changes recommended by an independent consultant and RS.*
Disciplinary Proceedings:	*Rule 7.1(1) and Policy 7.1 were considered* ***In the Matter of UBS Securities Canada Inc. ("UBS Canada") (October 8, 2004) SA 2004-006.*** *See Disciplinary Proceedings under Rule 2.2.*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of CIBC World Markets Inc., ("CIBC") Scott Mortimer and Carl Irizawa (December 21, 2004) SA 2004-008.*** *See Disciplinary Proceedings under Rule 2.1.*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of Salman Partners Inc. ("Salman"), Sameh Magid ("Magid"), William Burk ("Burk") and Ian Todd ("Todd") (February 18, 2005) SA 2005-001.*** *See Disciplinary Proceedings under Rule 3.1.*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of Desjardins Securities Inc. ("Desjardins"), Jean-Pierre De Montigny (De Montigny") and Jean-Luc Brunet ("Brunet") (March 16, 2005) SA 2005-002.*** *See Disciplinary Proceedings under 5.3.*
Disciplinary Proceedings:	***In the Matter of Zoltan Horcsok ("Horcsok") (July 18, 2005) SA 2005-003*** *Facts – During the relevant period, Horcsok was the Executive Director, Head of Sales Trading at UBS Securities Canada Inc. ("UBS Canada") and was responsible for the supervision of 12 sales traders in the Toronto and Montreal offices. In February of 2005, with Horcsok's knowledge, an employee, over whom Horcsok had supervisory authority altered a trade ticket (which Horcsok subsequently destroyed), entered false information on an electronic trade ticket and created false and misleading "chat" communication in an effort to conceal trading improprieties conducted by a trader at a U.S. affiliate of UBS Canada.* *Disposition – By involving an employee over whom he had supervisory responsibility in the attempted concealment of trading improprieties conducted by a trader at UBS's U.S. affiliate and for his role in destroying a trade ticket, deliberately conducting telephone conversations with the U.S. broker on untaped telephone lines and misleading UBS Canada's compliance department in its investigation of the matter, Horcsok contravened his supervisory obligations and engaged in*

	conduct that resulted in UBS Canada violating certain audit trail requirements under UMIR. *Requirements Considered – Rules 7.1(4), 10.3(4), 10.11(1) and 10.12(1).* *Sanction – $100,000 fine and costs of $25,000; suspension from RS regulated marketplaces for 3 months; 6 months strict supervision; prohibited from acting as supervisor for 1 year.*
Disciplinary Proceedings:	***In the Matter of Mark Ellis ("Ellis")** (October 19, 2005) DN 2005-008* *Facts – On September 17, 2003, RS contacted a trader trainee at Dundee Securities Corporation ("Dundee") concerning non-client orders that he had entered on both sides of the market in a particular security in the pre-opening session of the TSX prior to 9:28 a.m. RS advised the trader to "cease and desist" from this type of activity. Ellis, who along with another Dundee employee, was responsible for overseeing and supervising traders at Dundee, was made aware of the substance of RS's concerns. Ellis cautioned the trader to discontinue such conduct, but did not take steps to enquire whether any other traders at the firm engaged in similar conduct, nor did he escalate the matter to the firm's Compliance Department or senior management as required by Dundee's policies and procedures. It was subsequently discovered that another trader trainee and trader at Dundee engaged in similar conduct between July and December 2003 and October 2003 and February 2005, respectively.* *Disposition – It is incumbent upon employees in supervisory roles at a Participant to fulfill their own supervisory duties and to follow their firm's policies and procedures relating to reporting trading issues to the Compliance Department. Ellis did not fully comply with his trading supervision obligations.* *Requirements Considered – Rule 7.1(4).* *Sanction – $15,000 fine and costs of $6,000.*
Disciplinary Proceedings:	***In the Matter of Keith Leslie Leonard ("Leonard")** (October 19, 2005) DN 2005-008* *Facts – On September 17, 2003, RS contacted a trader trainee at Dundee Securities Corporation ("Dundee") concerning non-client orders that he had entered on both sides of the market in a particular security in the pre-opening session of the TSX prior to 9:28 a.m. RS advised the trader to "cease and desist" from this type of activity. Leonard, who along with another Dundee employee, was responsible for overseeing and supervising traders at Dundee, was made aware of the substance of RS's concerns. Leonard cautioned the trader to discontinue such conduct, but did not take steps to enquire whether any other traders at the firm engaged in similar conduct, nor did he escalate the matter to the firm's Compliance Department or senior management as required by Dundee's policies and procedures. It was subsequently discovered that another trader trainee and trader at Dundee engaged in similar conduct between July and December 2003 and October 2003 and February 2005, respectively.* *Disposition – It is incumbent upon employees in supervisory roles at a Participant to fulfill their own supervisory duties and to follow their firm's policies and procedures relating to reporting trading issues to the Compliance Department. Leonard did not fully comply with his trading supervision obligations.* *Requirements Considered – Rule 7.1(4).* *Sanction – $15,000 fine and costs of $6,000.*
Disciplinary Proceedings:	*Rule 7.1 was considered **In the Matter of Union Securities Ltd. ("Union") (April 18, 2006) DN 2006-004.** See Disciplinary Proceedings under Rule 6.2.*
Disciplinary Proceedings:	***In the Matter of Research Capital Corporation ("Research")** (April 25, 2006) DN 2006-005* *Facts – Between September 1, 2002 and May 31, 2003, and between November 1, 2003 and January 12, 2004 an investment advisor at Research participated in his clients' use of manipulative methods of trading in connection with the purchase and sale of a TSXV listed security which involved a pattern of trading which was not consistent with a bona fide effort to accumulate shares of the security over time and represented an overall pattern of trading at prices higher than would otherwise been dictated by market forces.* *Disposition – In failing to supervise the investment advisor and failing to adopt systems and procedures which were adequate to assist its supervisory and compliance personnel in detecting patterns of improper or unusual trading in client accounts, Union failed to comply with its trading supervision obligations under UMIR.* *Requirements Considered – Rule 7.1 and Policy 7.1* *Sanction - $16,260 fine and costs of $135,000; certification by Research that it has extended the implementation of the recommendations made in a March 20, 2005 consultant's report and that it has implemented effective supervision and compliances procedures to identify and address manipulative and deceptive trading and monitor of trading through its order management system for compliance with UMIR.*

Disciplinary Proceedings:	*Rule 7.1(1), 7.1(4) and Policy 7.1 were considered* ***In the Matter of Raymond James Ltd. ("Raymond James") and Marc Deslongchamps ("Deslongchamps") (June 30, 2006) DN 2006-006.*** *See Disciplinary Proceedings under Rule 5.3.*
Disciplinary Proceedings:	***In the Matter of Standard Securities Capital Corporation ("Standard") (July 6, 2006) DN 2006-008*** *Facts – Between April 2002 and April 2004 RS conducted 3 separate trade desk reviews ("TDRs") of Standard's trade desk policies, procedures and practices, and in each case identified and reported to Standard that its trading policies and procedures failed to adequately address Standard's requirements respecting its supervisory and compliance obligations under UMIR. In particular, the TDRs revealed that the policies and procedures failed to adequately ensure compliance with the client priority rule, describe how Standard would conduct compliance testing and how issues identified during the testing would be reported to management. Standard also failed to maintain adequate evidence that it conducted compliance testing and failed to review its trading policies and procedures annually as required by UMIR.* *Disposition – Despite the deficiencies noted by the TDR group, Standard failed to adopt written policies and procedures to be followed by its directors, officers, partners and employees that were adequate, taking into account Standard's business and affairs, to ensure compliance with UMIR Rules and Policies.* *Requirements Considered – Rule 7.1 and Policy 7.1.* *Sanction – $80,000 fine and costs of $20,000.*
Disciplinary Proceedings:	*Rule 7.1(1) and Policy 7.1 were considered* ***In the Matter of TD Securities Inc, ("TDSI") (July 5, 2006) DN 2006-007.*** *See Disciplinary Proceedings under Rule 5.1*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of Michael Bond ("Bond") and Sesto DeLuca ("DeLuca") (June 4, 2007) DN 2007-003****. See Disciplinary Proceeding under Rule 2.2.*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of Golden Capital Securities Ltd. ("Golden"), Jack Finkelstein ("Finkelstein") and Jeff Rutledge ("Rutledge") (November 23, 2007) DN 2007-004****. See Disciplinary Proceeding under Rule 6.2.*
Disciplinary Proceedings:	***In the Matter of Northern Securities Inc. ("Northern") (May 30, 2008) DN 2008-002*** *Facts - Trade desk reviews conducted by RS in the fall of 2003 and 2004 at Northern found insufficient supervision of certain trading practices and compliance testing policies and procedures. The trade desk reviews also found several UMIR deficiencies, most notably related to audit trail and order entry designation. During a follow-up audit by the RS trade desk review team in 2005, RS noted some improvements in Northern's testing procedures and other compliance and supervision issues, however, several deficiencies, namely related to the failure to document compliance and internal testing at Northern remained unresolved.* *Disposition – In failing to implement and update its written trading supervision and compliance policies and procedures and failing to ensure proper internal compliance testing, including maintaining evidence of such testing, Northern contravened Rule 7.1 and Policy 7.1 of UMIR.* *Requirements Considered – Rule 7.1 and Policy 7.1* *Sanction – $125,000 fine and costs of $50,000.*
Disciplinary Proceedings:	*Rule 7.1 was considered* ***In the Matter of Francesco Mauro ("Mauro") and Scott Fraser Harding ("Harding") (May 25, 2010) DN 10-0149****. See Disciplinary Proceedings under Rule 2.2*
Disciplinary Proceedings:	*Rule 7.1 was considered* ***In the Matter of Magna Partners Ltd. ("Magna") (November 16, 2010) DN 10-0295.*** *See Disciplinary Proceedings under Rule 5.2.*
Disciplinary Proceedings:	***In the Matter of TD Securities Inc. ("TDSI"), Kenneth Nott ("Nott"), Aidin Sadeghi ("Sadeghi"), Christopher Kaplan ("Kaplan"), Robert Nemy ("Nemy") and Jake Poulstrup ("Poulstrup") (collectively, the "Individual Respondents") (December 20, 2010) DN 10-0338*** *Facts – The Individual Respondents were all TSX Registered Traders hired by TDSI to work as Inventory Traders (also called Proprietary Traders). Between May 1 to October 31, 2005 (the "Relevant Period"), each of the Individual Respondents entered high closing bids on either NEX, TSX-V or TSX to purchase one or more of five illiquid stocks (collectively, the "Five Stocks"). The collective trading pattern of the Individual Respondents revealed that orders in the illiquid stocks were placed very late in the day in small lots that set the closing bids day after day, week after week, and month after month. TDSI had at its disposal a number of display "tools" that could be selected to assist in monitoring and supervising the traders, however, there was no tool available in the Relevant Period to monitor real time orders (i.e. bids and offers). TDSI was only provided with reports (e.g. high month end closings) that did not include any information regarding bids and offers. Consequently, TDSI did not have a systematic procedure to review orders.* *Disposition – An artificial bid price results when there is an intention to establish a price that is not justified by real demand or supply in a security. In the Relevant Period, the Individual Respondents*

	made closing bids in the context of the market with the intention that the bids would not trade but instead would stand as the closing bid at the end of the trading day thereby increasing the value of their inventory positions (which were calculated on the basis of the closing bids) and increasing their compensation and access to capital. The circumstantial evidence of motive and trading patterns (the frequency of setting the closing bids, late time of the closing bid orders, bidding in small lots and the illiquid nature of the stocks), supported an inference on a balance of probabilities that the Individual Respondents intended to engage in the improper practice of entering artificial closing bids in the Five Stocks. This finding was buttressed by direct evidence of instant messages and telephone calls between the Individual Respondents which showed concern for monthly ranking, the value of the adjusted cost base in a month other than a pay period month end and a willingness to manipulate the market for personal reasons. In the Relevant Period, Nott entered 230 artificial closing bids; Sadeghi entered 3 artificial closing bids; Kaplan entered 37 artificial closing bids; Nemy entered 38 artificial closing bids; and Poulstrup entered 14 artificial closing bids, all of which were in contravention of UMIR 2.2(2)(b) and UMIR Policy 2.2. *There was no proof, however, that TDSI failed to comply with its UMIR Rule 7.1 and UMIR Policy 7.1 trading supervision obligations and this allegation was dismissed. TDSI did not have a real time software surveillance system during the Relevant Period to detect the time and sequence of bids and offers in the marketplace. Demonstrating a pattern of late bids by a trader was one the factors relied on in drawing an inference of artificial closing bids, however the time required to do so was beyond the capacity of TDSI as the end of the day trading of a stock would have to be printed from the Firm Book every day for sufficient days to reveal a pattern of late bids. In the circumstances, the random review approach employed by TDSI was reasonable and realistic. Moreover, TDSI deserved credit for the manner in which it monitored and detected bidding improprieties in one of the Five Stocks and for the prompt filing of a Gatekeeper Report after the discovery of a wash trade between Nott and Sadeghi. While there was a fundamental flaw in the TDSI compliance monitoring system employed following the Relevant Period to evaluate whether there had been improper trading, as it had not been configured to generate alerts for late bids that were below the last sale and thus made within the "context of the market", (as was the case with the Individual Respondents), this was due to an honest but erroneous interpretation of UMIR Policy. The correct interpretation is that the process of bidding within the context of the market in order to maintain the value of a stock contravenes UMIR and bidding must be in accordance with true market supply and demand.* *Requirements Considered – Rule 2.2(2)(B), 7.1 and Policy 2.2, 7.1.* *Sanction – The Hearing Panel determined in the case of all the Individual Respondents that there be no order of suspension as they had not obtained employment at all, or for a significant period of time, since September, 2008, and that except for Sadeghi, they be under close supervision for six months, the terms of which would be determined by an employer. Additional penalties and orders were imposed as follows:* • *Nott: (a) a fine of $15,000.00; and (b) costs of $5,000.00.* • *Sadeghi: (a) a fine of $5,000.00. The Hearing Panel noted that there would be no order for supervision and strongly recommended that the close supervision order in effect be rescinded.* • *Kaplan: (a) a fine of $35,000.00; and (b) costs of $15,000.00. In addition, the Hearing Panel ordered that the trade restrictions in effect cease to apply to Kaplan immediately.* • *Nemy: (a) a fine of $75,000.00; and (b) costs of $37,500.00.* • *Poulstrup: (a) a fine of $20,000.00; and (b) costs of $10,000.00. In addition, the Hearing Panel ordered that trade restrictions in effect cease to apply to Poulstrup immediately.* *Review – IIROC staff filed a Notice of Request for Hearing and Review to the Ontario Securities Commission (OSC) for a review of the decision of the IIROC Hearing Panel, dated November 30, 2010, relating to TDSI.* *Disposition – The Review application was dismissed by the OSC on July 19, 2013 as there was no error of law or principle in the IIROC Hearing Panel's decision. The OSC concluded that the IIROC Hearing Panel's statement regarding the erroneous understanding of UMIR was not central to its finding with respect to TDSI's supervision of the TDSI traders and noted that the decision makes clear the obligation of Participants to supervise both trades and orders, including orders that are in the context of the market, so as to comply with their obligations under UMIR Rule 7.1 and Policy 7.1*
Disciplinary Proceedings:	*Rule 7.1 was considered* ***In the Matter of National Bank Financial ("NBF"), Paul Clarke ("Clarke") and Todd O'Reilly ("O'Reilly") (January 21, 2011) DN 11-0029 and DN 11-0030.*** *See Disciplinary Proceedings under Rule 2.1.*
Disciplinary Proceedings:	***In the Matter of Credit Suisse Securities (Canada) Inc. ("Credit Suisse") (February 2, 2011) DN 11-0045*** *Facts – Between May 2007 and October 2007, a monthly review of trading activity for possible*

manipulation of security prices at the market's close was either not conducted within a reasonable period or at all by Credit Suisse. Credit Suisse also failed to properly scrutinize a particular client's Direct Market Access (DMA) account despite the fact that the firm's artificial pricing reviews had been generating "red flag warnings" that the DMA account was using algorithms to execute buy orders that appeared to create artificial prices.

Following inquiry by Market Regulation Services Inc. in late 2007, Credit Suisse advised the DMA client would no longer place orders near the close of the market and took steps to improve its trading supervision and compliance monitoring procedures, including implementation of a real-time cross market surveillance system, the creation of a Compliance Surveillance Manual, a DMA Client Training Manual, and a Client Account Opening Procedures Manual.

Disposition – Credit Suisse admitted in a settlement agreement that as a Participant, it is not relieved from any supervisory obligations pursuant to UMIR 7.1 and UMIR Policy 7.1, and as reaffirmed in, among other things, Market Integrity Notices 2005-006 and 2007-010, with respect to any order that is entered on a marketplace by means of DMA. Credit Suisse further admitted that it failed to comply with its trading supervision obligations as it did not conduct artificial pricing reviews within a reasonable period of time for the months of May 2007, June 2007, and July 2007 and did not conduct an artificial pricing review for October 2007.

Requirements Considered – Rule 7.1 and, Policy 7.1.

Sanction – Credit Suisse agreed to a $150,000 fine and $15,000 in costs.

Disciplinary Proceedings: *Rule 7.1 was considered* ***In the Matter of Beacon Securities Limited. ("Beacon") (April 8, 2011) DN 11-0120.*** *See Disciplinary Proceedings under Rule 5.2.*

Disciplinary Proceedings: ***In the Matter of Maison Placements Canada Inc. ("MPCI") (April 13, 2011) DN 11-0124***

Facts – Between December 2008 and January 2011 (the "relevant period"), MPCI was not connected to all of the six protected marketplaces, but only to the TSX and TSXV. MPCI did not use an acceptable order router nor did it did not provide the order to another Participant for entry on a marketplace. As a result, MPCI did not consider orders on any of the protected marketplaces other than the TSX or TSXV. During the period October 2007 to March 2008, MPCI informed its clients that it would execute trades on the TSX or TSXV only. During the period between December 2008 and October 2010, MPCI generated trade through alerts; however the percentage of trade through alerts generated was small relative to MPCI's overall trading volume. During the relevant period, MPCI did not monitor or review its order flow for compliance with the "best price" obligation and did not set out the steps or process to be followed to make "reasonable efforts" to ensure that orders receive the "best price" when executed on a marketplace.

Disposition – Pursuant to a Settlement Agreement, MPCI admitted that it breached UMIR 5.2 and UMIR Policy 5.2 as it did not make reasonable efforts during the relevant period to ensure orders were executed at the "best price." UMIR Requirements make it clear that despite client consent or instruction a Participant cannot trade-through a better bid or offer on a protected marketplace by making a trade at an inferior price. In addition, MPCI failed to have adequate policies and procedures in place to ensure compliance with its "best price" obligation, contrary to UMIR 7.1 and UMIR Policy 7.1.

Requirements Considered – Rule 5.2, 7.1 and Policy 5.2, and 7.1.

Sanction – MPCI agreed to pay a fine of $95,000 and costs in the amount of $5,000.

Disciplinary Proceedings: ***In the Matter of Morgan Stanley Canada Limited ("Morgan Stanley Canada") (August 3, 2011) DN 11-0232***

Facts – Morgan Stanley Canada provided direct market access ("DMA") to its U.S. parent company (the "parent") and the clients of its parent, by extension. Certain UMIR-related compliance testing and reviews were delegated to its parent. Between August 2007 and December 2007 and between July 2008 and December 2008 (the "relevant periods"), a DMA client of the parent generated numerous "pattern alerts" relating to "high closing" on the surveillance system employed by the parent. Inquiries were made initially by Morgan Stanley Canada and its parent in respect of the trading activities of the DMA client, however there was ambiguity about how potential contraventions should be documented and escalated. Alerts generated for part of 2008 were not subject to any additional inquiries or analysis.

Disposition – Morgan Stanley Canada admitted in a Settlement Agreement that in the relevant periods, it failed to comply with its trading supervision obligations under UMIR 7.1 and UMIR Policy 7.1 by neglecting to take adequate steps to identify and address potentially manipulative trading by a DMA client that had entered a significant number of "high closing" trades. Testing results for artificial pricing were not adequately summarized and documented due in part to the failure of Morgan Stanley Canada to communicate certain UMIR Requirements to its parent. In providing direct market access to IIROC-regulated marketplaces, Morgan Stanley Canada retained the

	ultimate responsibility for any order entered and to ensure that trading supervision obligations under UMIR were being met. *Requirements Considered – Rule 7.1 and Policy 7.1.* *Sanction – Morgan Stanley Canada agreed to a $175,000 fine and $15,000 in costs.*
Disciplinary Proceedings:	*Rule 7.1 and Policy 7.1 were considered* ***In the Matter of Pope & Company Limited ("Pope") (March 14, 2012) DN 12-0095.*** *See Disciplinary Proceedings under Rule 5.2.*
Disciplinary Proceedings:	***In the Matter of BMO Nesbitt Burns Inc. ("BMONB") (April 13, 2012) DN 12-0136*** *Facts – A Market-on-Close ("MOC") order was entered by a trader employed with BMONB on October 13, 2010, that was "clearly erroneous", and was only discovered by the trader when the Toronto Stock Exchange (TSX) published the MOC imbalance at 3:40 p.m. that day. The trading application used by the BMONB trader to enter the erroneous order allowed for pre-trade limits and warning messages to be set as a safeguard against errors, however these were not enabled at the material time. In addition, BMONB had no procedures in place to verify that pre-trade filters or limits were activated on the trading applications used by its traders. For a brief period following the initial publication of the MOC imbalance the price of the shares experienced its largest decline of the day before rising again. Following entry of an offsetting limit order into the MOC facility authorized by IIROC, the corrected MOC imbalance was published but this did not necessarily reach all market participants who entered orders on the basis of the original MOC imbalance.* *Disposition – Pursuant to a Settlement Agreement, BMONB admitted that it contravened UMIR 7.1 and Policy 7.1 by failing to adopt adequate policies, procedures and a supervision system sufficient to manage the risks associated with its trading activities to prevent the submission of erroneous orders, which resulted in the entry of an erroneous order by one of its traders to the TSX MOC facility on October 13, 2010.* *Requirements Considered – Rule 7.1 and Policy 7.1.* *Sanction – BMONB agreed to pay a fine of $50,000 and to pay costs in the amount of $5,000.*
Disciplinary Proceedings:	***In the Matter of Alexey Eydelman ("Eydelman") and Questrade Inc. ("Questrade") (May 24 2013) DN 13-0140*** *Facts – Between August 2009 and February 2010 (the "Relevant Period"), Eydelman, a proprietary trader employed by Questrade, entered orders on the TSX that established the high closing bid price for a security in circumstances where he ought reasonably to have known the orders could be seen to create an artificial price. On seven consecutive month-end trading days Eydelman established the closing bid on the security.* *During the Relevant Period, Questrade failed to implement a trade supervision system that was adequate to ensure compliance with UMIR 2.2 and UMIR Policy 2.2. Questrade also failed to ensure that the risks associated with its proprietary trading group had been identified and that appropriate supervision practices and procedures to manage those risks had been implemented. Questrade failed to adequately review and monitor Eydelman's order entry activity and failed to prevent or detect Eydelman's violations of UMIR 2.2(2).* *Disposition – Pursuant to a Settlement Agreement Eydelman admitted that in the Relevant Period, he entered orders on the TSX that he ought reasonably to have known could reasonably be expected to create an artificial bid price for the security, contrary to UMIR 2.2 and Policy 2.2. Questrade admitted that in the Relevant Period, it failed to have adequate policies and procedures in place and a supervision system sufficient to prevent and detect potential artificial bid prices, contrary to UMIR 7.1 and Policy 7.1.* *Requirements Considered – Rules 2.2 and 7.1 and Policies 2.2 and 7.1.* *Sanction – Eydelman agreed to pay a $30,000 fine, to a suspension of access to IIROC-regulated marketplaces for 3 months, and to pay costs in the amount of $5,000. Questrade agreed to pay a fine of $70,000, and to pay costs in the amount of $10,000.*
Disciplinary Proceedings:	***In the Matter of Scotia Capital Inc. ("Scotia Capital") (June 18, 2013) DN 13-0170*** *Facts – Between June 2009 and November 2011, Scotia Capital failed to take adequate steps to prevent and detect potential wash trades. Specifically, it lacked adequate policies and procedures for reviewing potential wash trades or failed to properly implement those policies and procedures. The policies and procedures only required consideration and a review of trades between the same account number. The policies and procedures did not require consideration of trades by the same beneficial owner with a different account number. Between June 2009 and December 2010, Scotia Capital failed to take adequate steps to prevent and detect potential artificial pricing transactions. Specifically, it failed to adequately implement some of its policies and procedures related to the detection of artificial pricing transactions. As a practice, Scotia Capital only considered two alerts to supervise artificial pricing and high closing. This practice meant that trades could occur at the end*

	of the day that set the closing price on an uptick and would go undetected by compliance staff. *Disposition – Pursuant to a Settlement Agreement, Scotia Capital admitted that it failed to comply with its trading supervision obligations contrary to UMIR 7.1 and Policy 7.1.* *Requirements Considered – Rule 7.1 and Policy 7.1.* *Sanction – Scotia Capital agreed to pay a $150,000 fine, and to pay costs in the amount of $10,000.*
Disciplinary Proceedings:	***In the Matter of JitneyTrade Inc. ("JitneyTrade") (July 23, 2013) DN 13-0196*** *Facts – Between February and September 2010, and February 2011 and February 2012 (the "Relevant Period"), JitneyTrade, a registered investment dealer providing Direct Market Access ("DMA") to IIROC-regulated marketplaces to institutional and order-execution clients, was not able to adequately detect, prevent and address potential events of spoofing and layering, and other suspicious trading activities by some of its DMA clients. JitneyTrade supervised its DMA clients through the review of T+1 reports which were not adequate to detect and prevent potential patterns of layering and spoofing due to the volume of trading generated on a daily basis. In addition, JitneyTrade relied in part on the compliance department of a client instead of directly supervising the trading activity of this client.* *Disposition – Pursuant to a Settlement Agreement JitneyTrade admitted that in the Relevant Period, it failed to implement an appropriate trade supervision system reasonably well designed to prevent and detect violations of UMIR requirements for the size and nature of its DMA clients' business, contrary to UMIR 7.1 and Policy 7.1.* *Requirements Considered – Rule 7.1 and 2.2, and Policy 7.1 and 2.2.* *Sanction – JitneyTrade agreed to pay a $90,000 fine, as well as to pay costs in the amount of $10,000.*
Disciplinary Proceedings:	***In the Matter of Interactive Brokers Canada Inc. ("Interactive Brokers") (July 25, 2013) DN 13-0197*** *Facts – Between November 2007 and April 2008 (the "Relevant Period"), Interactive Brokers, a registered investment dealer, failed to take adequate steps to prevent and detect manipulative and deceptive trading by a retail client in the shares of a security listed on the TSX Venture Exchange. The client frequently entered orders (the majority for 100 shares) at or near the close of trading that up-ticked the prevailing bid. Interactive Brokers lacked adequate policies and procedures for reviewing potentially manipulative late day order entry that could affect the closing bid or offer which led Interactive Brokers to fail to prevent and detect the client's pattern of manipulative late day order entry in the security. Interactive Brokers did not perform post-trade monitoring and testing of orders for artificial pricing.* *Disposition – Pursuant to a Settlement Agreement, Interactive Brokers admitted that in the Relevant Period, it failed to comply with its trading supervision obligations contrary to UMIR 7.1 and Policy 7.1.* *Requirements Considered – Rule 7.1 and Policy 7.1.* *Sanction – Interactive Brokers agreed to pay a $50,000 fine, as well as to pay costs in the amount of $10,000.*
Disciplinary Proceedings:	***In the Matter of Lakeshore Securities Inc. ("Lakeshore") (November 11, 2014) DN 14-0262*** *Facts – Between February 2011 and March 2012 (the "Relevant Period"), Lakeshore entered a new line of business to provide direct market access ("DMA") to certain clients. The new DMA business increased Lakeshore's order flow significantly, but Lakeshore failed to take adequate steps to quantify, summarize and document its trading supervision testing and reporting. In addition, Lakeshore offered DMA to certain clients who did not meet the financial eligibility requirements set out at the time in Rule 2-501 of the Rules of the Toronto Stock Exchange. UMIR 10.1 requires a Participant to comply with the Marketplace Rules of the marketplace on which the particular order is entered and executed. The provision of DMA to ineligible clients is also contrary to Lakeshore's trading supervision obligations under UMIR 7.1 and Policy 7.1.* *Disposition – Pursuant to a Settlement Agreement Lakeshore admitted that in the Relevant Period, it failed to comply with its trading supervision obligations contrary to UMIR 7.1, UMIR Policy 7.1, UMIR 10.1 and Rule 2-501 of the Rules of the Toronto Stock Exchange.* *Requirements Considered – Rule 7.1, Policy 7.1, Rule 10.1 and Rule 2-501 of the Toronto Stock Exchange.* *Sanction – Lakeshore agreed to pay a $20,000 fine, as well as to pay costs in the amount of $5,000.*
Disciplinary Proceedings:	***In the Matter of M Partners Inc. ("M Partners") (February 27, 2015) DN 15-0054*** *Facts – During November 2012 (the "Relevant Period"), M Partners failed to comply with its trading supervision obligations and to meet its audit trail requirements. During the period, there were significant audit trail deficiencies and improper order handling practices relating to the firm's use of*

	accumulation accounts. *Disposition – Pursuant to a Settlement Agreement M Partners admitted that in the Relevant Period, it failed to comply with its trading supervision obligations contrary to UMIR 7.1 and Policy 7.1, and failed on receipt or origination of certain orders to record specific information relating to the orders as required by Part 11 of the Trading Rules (National Instrument 23-101) contrary to UMIR 10.11(1).* *Requirements Considered – Rule 7.1, Policy 7.1, Rule 10.11 and Part 11 of the Trading Rules.* *Sanction – M Partners agreed to pay a $40,000 fine and to pay costs in the amount of $5,000.*
Disciplinary Proceedings:	***In the Matter of Independent Trading Group (ITG) Inc. ("Independent Trading Group") (May 11, 2015) DN 15-0109*** *Facts – On January 21, 2014, at the open of trading on the TSX, Independent Trading Group's failure to employ adequate automated pre-trade controls to limit its financial exposure allowed for the entry of an erroneous order that resulted in an intraday capital deficiency of approximately $8 million. Independent Trading Group failed to adopt, document and maintain a system of risk management and supervisory controls, policies and procedures that was adequate to ensure the management of the financial, regulatory and other risks associated with electronic access to marketplaces.* *Disposition – Pursuant to a Settlement Agreement Independent Trading Group admitted that it failed to comply with its trading supervision obligations contrary to UMIR 7.1(6) and Policy 7.1, Part 7.* *Requirements Considered – Rule 7.1(6), Policy 7.1, Part 7.* *Sanction – Independent Trading Group agreed to pay a $170,000 fine and to pay costs in the amount of $5,000.*