

# | Discipline Notice |

May 22, 2008

No. 2008-001

## Suggested Routing

- Trading
- Legal and Compliance

## KEVIN MOORHEAD

## UMIR Provisions Contravened

- 2.2 – Manipulative and Deceptive Activities
- Policy 2.2

## Summary

A Hearing Panel constituted under the Universal Market Integrity Rules today approved a settlement agreement between RS and Kevin Moorhead. In the settlement agreement, Moorhead agrees that between August 29, 2005 and October 27, 2005, he contravened UMIR 2.2(1) and 2.2(2)(b). Moorhead was fined \$40,000, plus \$10,000 in costs. He is also suspended from access to all marketplaces regulated by RS for three (3) months.

## Appendices

- Settlement Agreement
- Statement of Allegations
- Schedule A

## Questions / Further Information

For further information or questions concerning this notice contact:

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# DISCIPLINARY NOTICE – KEVIN MOORHEAD

May 22, 2008

## Person Disciplined

On May 22, 2008, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") approved a settlement agreement (the "Settlement Agreement") concerning Kevin Moorhead ("Moorhead").

## Requirement Contravened

Under the terms of the Settlement Agreement, Moorhead admits that the following Requirements were contravened:

- Between August 29, 2005 and October 27, 2005, he contravened Universal Market Integrity Rule ("UMIR") 2.2(1), 2.2(2)(b) and UMIR Policy 2.2 for which he is liable under UMIR 10.4(1).

## Sanctions Approved

The following sanctions were approved:

- (a) A fine of \$40,000.00 payable by Moorhead to RS;
- (b) Suspension of access to all marketplaces regulated by RS for three (3) months, commencing upon the day following the approval of this settlement agreement by a Hearing Panel; and
- (c) Costs of \$10,000.00 payable to RS.

## Summary of Facts

Moorhead has been registered since 1995. He has been employed by Canaccord from 1996 to the present as an inventory trader.

Moorhead worked at Canaccord with a trader who subsequently left and joined another firm ("Firm A"). During the material time, Moorhead assisted and worked in conjunction with the trader at Firm A, who also entered high closing bids in the shares of Central Canada Foods Corporation ("CDF.A") and Peterborough Capital Corp. ("PEC").

During the relevant period, Moorhead entered certain orders and/or instructed his assistant to enter certain orders, as described below, to purchase securities of CDF.A and PEC with the intention of assisting a trader at Firm A (as defined below) to increase the daily profit or reduce the daily loss position in that trader's inventory account, and which therefore were for no bona fide purpose. The orders misrepresented the performance of the securities and were artificial in that they were not justified by any real demand for the securities.

Moorhead knew or ought to have known that his order entry activity would create or could reasonably be expected to create an artificial bid price. Moorhead entered the

# DISCIPLINARY NOTICE – KEVIN MOORHEAD

May 22, 2008

orders to assist the trader at Firm A to improve the daily profit and loss positions in his inventory account.

The purpose of UMIR 2.2(1) and 2.2(2)(b) and Policy 2.2 is to protect the marketplace from manipulative and deceptive trading activity and artificial pricing, which undermine the integrity of the marketplace and erode investor confidence.

## Panel Members

Chair: The Honourable Paul Moore, Q.C.  
Industry Member: Mr. Donald Lawson  
Industry Member: Mr. Dusty Graham

## Further Information

Participants who require additional information should direct questions to Charles Corlett, Enforcement Counsel, Investigations & Enforcement, Eastern Region, Market Regulation Services Inc. at 416-646-7253.

## About Market Regulation Services Inc. (RS)

RS is the independent regulation services provider for Canadian equity marketplaces, including TSX, TSX Venture Exchange, Canadian Trading and Quotation System, Bloomberg Tradebook Canada Company, Liquidnet Canada Inc., Blockbook, Pure Trading, MATCH Now, OMEGA ATS and Chi-X Canada. RS is recognized by the securities commissions of Ontario, British Columbia, Alberta and Manitoba and by the *Autorité des marchés financiers* in Québec to regulate the trading of securities on these marketplaces by participant firms and their trading and sales staff. RS helps protect investors and ensure market integrity by ensuring all equities transactions are executed properly, fairly and in compliance with trading rules.

**IN THE MATTER OF  
THE UNIVERSAL MARKET INTEGRITY RULES**

**AND**

**IN THE MATTER OF  
KEVIN MOORHEAD**

**OFFER OF SETTLEMENT**

**A. INTRODUCTION**

1. Market Regulation Services Inc. (“RS”) has conducted an investigation (the “Investigation”) into the conduct of Kevin Moorhead (“Moorhead”).
2. The Investigation has disclosed matters for which RS seeks certain sanctions against Moorhead pursuant to Rule 10.5 of the Universal Market Integrity Rules (“UMIR”).
3. If this Offer of Settlement is accepted by Moorhead, the resulting settlement agreement (the “Settlement Agreement”), which has been negotiated in accordance with Part 3 of UMIR Policy 10.8, is conditional upon the approval by a hearing panel (the “Hearing Panel”) of the Hearing Committee appointed under Part 10 of UMIR Policy 10.8.
4. Moorhead agrees to waive all rights under UMIR to a hearing or to an appeal or review if the Settlement Agreement is approved by the Hearing Panel.
5. RS and Moorhead jointly recommend that the Hearing Panel accept this Settlement Agreement.

**B. AGREEMENT AS TO REQUIREMENTS CONTRAVENED**

6. Moorhead agrees that between August 29, 2005 and October 27, 2005, he contravened Universal Market Integrity Rule ("UMIR") 2.2(1), 2.2(2)(b) and UMIR Policy 2.2 for which he is liable under UMIR 10.4(1).

**C. ADMITTED FACTS AND CONCLUSIONS**

7. RS and Moorhead agree with and rely upon the admitted facts and conclusions which are set out in the Statement of Allegations attached as Appendix "A" to this Settlement Agreement.

**D. DISPOSITION**

8. For the contraventions in paragraph 6 above, Moorhead and RS agree to the following disposition:
- (a) A fine of \$40,000.00 payable by Moorhead to RS;
  - (b) Suspension of access to all marketplaces regulated by RS for three (3) months, commencing upon the day following the approval of this Settlement Agreement by a Hearing Panel; and
  - (c) Costs of \$10,000.00 payable to RS.
9. If this Settlement Agreement is accepted by a Hearing Panel, Moorhead agrees to pay the amount referred to in paragraph 8 within 30 days of such acceptance.

**E. PROCEDURES FOR ACCEPTANCE OF OFFER OF SETTLEMENT AND APPROVAL OF SETTLEMENT AGREEMENT**

10. Moorhead shall have until the close of business on \*\* to accept the Offer of Settlement and serve an executed copy thereof on RS.
11. This Settlement Agreement shall be presented to a Hearing Panel at a public hearing (the "Approval Hearing") held for the purpose of approving the Settlement Agreement, in accordance with the procedures described in UMIR Policy 10.8 in addition to any other procedures as may be agreed upon between the parties. Moorhead acknowledges that RS shall notify the public and media of the Approval Hearing in such manner and by such media as RS sees fit.
12. Pursuant to Part 3.4 of UMIR Policy 10.8, the Hearing Panel may accept or reject this Settlement Agreement.
13. In the event the Settlement Agreement is accepted by a Hearing Panel, the matter becomes final, there can be no appeal or review of the matter, the disposition of the matter agreed upon in this Settlement Agreement will be included in the permanent record of RS in respect of Moorhead, and RS will publish a summary of the Requirements contravened, the facts, and the disposition agreed upon in the Settlement Agreement.
14. In the event the Hearing Panel rejects the Settlement Agreement, RS may proceed with a hearing of the matter before a differently constituted Hearing Panel pursuant to Part 3.7 of UMIR Policy 10.8 and this Settlement Agreement may not be referred to without the consent of both parties.

**F. OTHER MATTERS**

- 15. Moorhead agrees that, in the event he fails to comply with any of the terms of the Settlement Agreement, RS may enforce this settlement in any manner it deems appropriate and may, without limiting the generality of the foregoing, suspend Moorhead's access to marketplaces regulated by RS until RS determines that Moorhead is in full compliance with all terms of the Settlement Agreement.
  
- 16. Moorhead agrees that neither he, nor anyone on his behalf, will make a public statement inconsistent with this Settlement Agreement.

IN WITNESS WHEREOF the parties have signed this Settlement Agreement as of the dates noted below.

DATED at Toronto on the 5<sup>th</sup> day of May, 2008.

"Kevin Richard"  
Witness Signature

"Kevin Moorhead"  
Kevin Moorhead

Kevin Richard  
Name of Witness

372 Bay St., Suite 1000, Toronto  
Address of Witness

DATED at Toronto, Ontario on the 1<sup>st</sup> day of May, 2008.

"Maureen Jensen"  
Per: Maureen Jensen  
President and Chief Executive Officer  
Market Regulation Services Inc.

This foregoing Settlement Agreement is hereby accepted this 22<sup>nd</sup> day of May, 2008, by the following hearing panel constituted to review the terms thereof:

Per: "Hon. Paul Moore"  
Panel Chair

Per: "Donald Lawson"  
Panel Member

Per: "Dusty Graham"  
Panel Member



**IN THE MATTER OF  
THE UNIVERSAL MARKET INTEGRITY RULES**

**AND**

**IN THE MATTER OF  
KEVIN MOORHEAD**

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**OFFER OF SETTLEMENT**

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**IN THE MATTER OF  
THE UNIVERSAL MARKET INTEGRITY RULES**

**AND**

**IN THE MATTER OF  
KEVIN MOORHEAD**

**STATEMENT OF ALLEGATIONS**

**I. REQUIREMENTS CONTRAVENED**

1. Between August 29, 2005 and October 27, 2005, Kevin Moorhead ("Moorhead"), a trader employed by Canaccord Capital Corporation ("Canaccord"), a Member of the TSX Venture Exchange (the "TSXV") and a Participating Organization of the Toronto Stock Exchange (the "TSX"), entered orders on the TSXV to assist a trader at Firm A (as described below) that he knew, or ought to have known, would create, or could reasonably be expected to create, an artificial bid price on the TSXV for Central Canada Foods Corporation ("CDF.A") and Peterborough Capital Corp. ("PEC"), contrary to UMIR 2.2(2)(b) and UMIR Policy 2.2, for which he is liable under UMIR 10.4(1).

2. On October 6, 2005, Moorhead engaged in a trade in the shares of PEC with another Canaccord inventory account and as such there was no change in beneficial or economic ownership contrary to UMIR 2.2(1) and UMIR Policy 2.2, for which he is liable under UMIR 10.4(1).

3. On both October 25 and October 26, 2005, Moorhead entered a bid for the shares of CDF.A and on September 26, 2005 entered a bid for the shares of PEC in order to assist a trader at Firm A (as defined below) which had the effect of setting an artificial bid price for the security, contrary to UMIR 2.2(1) and UMIR Policy 2.2, for which he is liable under UMIR 10.4(1).

## **II. RELEVANT FACTS AND CONCLUSIONS**

### **OVERVIEW**

4. During the relevant period, Moorhead entered certain orders and/or instructed his assistant to enter certain orders, as described below, to purchase securities of CDF.A and PEC with the intention of assisting a trader at Firm A (as defined below) to increase the daily profit or reduce the daily loss position in that trader's inventory account, and which therefore were for no *bona fide* purpose. The orders misrepresented the performance of the securities and were artificial in that they were not justified by any real demand for the securities.

### **PARTIES**

5. Moorhead has been registered since 1995. He has been employed by Canaccord from 1996 to the present as an inventory trader. As of September 12, 2005, Moorhead no longer had access to enter orders on the TSXV market and thereafter used his assistant to enter any orders on that market.

6. Moorhead worked at Canaccord at the same time as a trader who subsequently left and joined another firm ("Firm A"). During the material time, the trader at Firm A is also alleged to have entered numerous high closing bids in CDF.A and PEC.

### **INVENTORY ACCOUNTS AND COMPENSATION**

7. Moorhead was assigned an individual inventory account and was compensated primarily based on the profits and losses within that account. Compensation at Canaccord was calculated using a "mark to market" formula of valuing the trader's existing positions in his inventory account. The mark to market formula uses the closing bid prices for long positions, and the closing offer prices for short positions, to calculate the unrealized profit and loss position of inventory accounts on an ongoing basis.

8. Moorhead was paid at the end of each month based on the realized and unrealized profits in his inventory account.

9. Firm A also used a mark to market formula to value its traders' inventory positions for compensation purposes. Moorhead understood that some form of a mark to market formula was used to value the inventory account of the trader at Firm A.

## **ARTIFICIAL PRICING**

10. During the review period for CDF.A (May 10, 2005 through October 27, 2005), Moorhead entered three buy orders that became the closing bid in CDF.A and two intraday artificial bids. During the review period for PEC (May 2, 2005 through October 27, 2005), Moorhead entered five buy orders that became the closing bid in PEC and one intraday artificial bid.

### ***CDF.A***

11. CDF.A was a relatively thinly traded stock and, during the relevant period, there was an average of only 15 bids entered per day. The Standard Trading Unit for CDF.A was 500 shares.

12. During the relevant period, Moorhead entered three buy orders that became the closing bid for CDF.A (the "CDF.A Closing Bid Orders"). One CDF.A Closing Bid Order was entered on a day that the trader at Firm A was on vacation, with the other two CDF.A Closing Bid Orders being entered on days after the trader at Firm A had been informed by Firm A not to increase his inventory position. Moorhead was not aware that the trader at Firm A had been advised not to increase his inventory position. The CDF.A Closing Bid Orders were entered at 15:55:54, 14:46:43 and 15:10:30 on their respective days and were entered as "good til cancel" orders.

13. The improper intention of the CDF.A Closing Bid Orders and the intraday artificial bids is demonstrated by an instant message and phone calls between Moorhead and the trader at Firm A. For example, on October 20, 2005 and October 25, 2005, both days on which Moorhead entered CDF.A Closing Bid Orders, Moorhead exchanged an instant messages and phone calls which indicate that he was entering buy orders in CDF.A at the request of the trader at Firm A. Moorhead acknowledges that all of the bids described in this paragraph were entered at the request of the trader at Firm A.

14. On each of the three days that Moorhead entered CDF.A Closing Bid Orders he held only 500, zero and 2,000 CDF.A shares, respectively, in his inventory account. However, on those same days, the trader at Firm A held a significantly larger position of CDF.A shares in his inventory account.

15. The instant messaging, the telephone calls and the order entry activity demonstrate that the CDF.A Closing Bid Orders were entered with the intention that they would assist the trader at Firm A to improve his daily profit and loss position and were therefore for no *bona fide* purpose. They had the effect of misrepresenting the performance of the security to the market.

16. The CDF.A Closing Bid Orders had the effect of artificially increasing the value of the inventory account of the trader at Firm A over the relevant period. For instance, on October 25, 2005 (the last full day of trading before Firm A discovered suspicious trading by its trader), the value of the trader at Firm A's CDF.A position was inflated by \$16,415 when compared to its value if the last independent bid price was used. Moorhead was not aware of the exact amount held in the inventory account of the trader at Firm A.

17. The table below provides further particulars of the CDF.A Closing Bid Orders:

Closing Bid Order Date	Trader	Closing Bid Order Data			Trader Inventory Account		
		Time	Volume	Closing Bid Price	Inventory account	Inventory Quantity	Average Cost Per Share
31-Aug-05	Moorhead	15:55:54.16	2,500	\$0.650	Moorhead	500	\$0.6500
					trader at Firm A	173,500	\$0.4791
20-Oct-05	Moorhead	14:46:43.11	1,000	\$0.630	Moorhead	zero	N/A
					trader at Firm A	342,800	\$0.6980
25-Oct-05	Moorhead	15:10:30.05	1,000	\$0.640	Moorhead	2,000	\$0.5800
					trader at Firm A	334,300	\$0.6980

18. Moorhead also assisted the trader at Firm A by entering two artificial intraday bid orders on October 25, 2005 and October 26, 2005 (the "Intraday Bids"). The improper intention behind the Intraday Bids on October 25, 2005 and October 26, 2005 is confirmed by Moorhead's phone calls and instant message with the trader at Firm A. For example, on October 26, 2005, the trader at Firm A called Moorhead and asked Moorhead to "go like 64, 63 bid or something" so that there would be "a print there". Moorhead entered a bid at \$0.62. The trader at Firm A immediately sold into Moorhead's bid, thereby setting a high trade price. A higher closing bid order was subsequently entered by another trader, also assisting the trader at Firm A. Moorhead was not aware of anyone else assisting the trader at Firm A.

19. The trader at Firm A was suspended on October 27, 2005. Moorhead sold his remaining position in the shares of CDF.A by November 1, 2005.

20. The CDF.A Closing Bid Orders and the Intraday Bids had the effect of setting artificial bid prices for CDF.A during the relevant period. As an experienced trader, Moorhead knew or ought to have known that the CDF.A Closing Bid Orders and the Intraday Bids would create or could reasonably be expected to create an artificial bid price, particularly given the motivation of the trader at Firm A.

### ***PEC***

21. PEC was a very thinly traded stock and, during the relevant period, there was an average of only seven bids entered per day. The Standard Trading Unit for PEC was either 500 or 1,000, depending on the market price.

22. During the relevant period Moorhead entered five buy orders that became the closing bid in PEC (the "PEC Closing Bid Orders"). Two of the PEC Closing Bid Orders were entered on days that the trader at Firm A was on vacation, with a further PEC Closing Bid Order entered on a day with telephone communication showing Moorhead was entering the bid at the request of the trader at Firm A. On all five days, the trader at Firm A held a significant number of PEC shares in his inventory, while Moorhead held a relatively small position. The PEC Closing Bid Orders were entered at 15:19:37, 15:36:14, 13:35:02, 15:46:40 and 15:28:13 on their respective days and all but two were "good til cancel orders".

23. Telephone calls and the order entry activity demonstrate the improper intention behind the PEC Closing Bid Orders. For example, in a conversation on October 6, 2005, the trader at Firm A asked Moorhead to buy the shares on offer by a Canaccord trader (14,000 at \$0.09). Immediately following the conversation, Moorhead entered a bid for 15,000 shares at \$0.09, buying all the shares on offer at \$0.09 from another Canaccord inventory trader. Moorhead's bid left 1,000 shares on the bid at \$0.09, which became the high closing bid. Moorhead's bid ensured that 1,000 shares were left on the bid at the improved price of \$0.09, after buying all of the shares on offer at \$0.09. There was no change in economic or beneficial ownership in the trade with the offering Canaccord trader.

24. The phone calls and order entry activity demonstrate that the PEC Closing Bid Orders were entered with the intention of improving the daily profit and loss position of the PEC shares held in the inventory account of the trader at Firm A and had the effect of misrepresenting the actual performance of the security.

25. The PEC Closing Bid Orders had the effect of artificially increasing the value of the trader at Firm A's inventory account over the relevant period. For instance, on October 25, 2005, the value of the trader at Firm A's PEC position was inflated by \$5,779, from an unrealized loss to an unrealized profit, when compared to its value if priced at the last independent bid. Moorhead was not aware of the exact amount held in the inventory account of the trader at Firm A.

26. The table below provides further particulars of the PEC Closing Bid Orders:

Closing Bid Order Date	Closing Bid Order Data				Trader Inventory Account		
	Trader	Time	Volume	Closing Bid Price	Inventory account	Inventory Quantity	Average Cost Per Share
29-Aug-05	Moorhead	15:19:37.88	5,000	\$0.085	Moorhead	81,000	\$0.0978
					trader at Firm A	560,600	\$0.1463
31-Aug-05	Moorhead	15:36:14.23	5,000	\$0.085	Moorhead	20,000	\$0.0960
					trader at Firm A	560,600	\$0.1463
8-Sep-05	Moorhead	13:35:02.63	3,000	\$0.090	Moorhead	20,000	\$0.0850
					trader at Firm A	560,600	\$0.0850
6-Oct-05	Moorhead	15:46:40.16	1,000	\$0.090	Moorhead	49,000	\$0.0864
					trader at Firm A	563,600	\$0.0850
27-Oct-05	Moorhead	15:28:13.54	5,000	\$0.080	Moorhead	59,000	\$0.0866
					trader at Firm A	579,600	\$0.0851

27. Moorhead also assisted the trader at Firm A by entering an artificial intraday bid order for PEC shares on September 26, 2005. The improper intention behind Moorhead's intraday bid on September 26, 2005 is confirmed by his phone call with the trader at Firm A. During the phone conversation, the trader at Firm A commented that PEC was "looking terrible" and told Moorhead that he wanted to "pull out 4,000 shares at [inaudible] of PEC". Moorhead agreed and can be heard asking his assistant to buy 5,000 PEC at \$0.08. Moorhead's order bought all the shares on offer at \$0.08, moving the offer to \$0.09 and leaving 1,000 shares on the bid at \$0.08. The order permitted the trader at Firm A to enter a higher closing bid at \$0.085.

28. Moorhead sold his entire position in PEC on November 3, 2005.

29. As an experienced trader, Moorhead knew or ought to have known that the PEC Closing Bid Orders would create or could reasonably be expected to create an artificial bid price, particularly given the motivation of the trader at Firm A.

30. Moorhead received no benefit from entering any of the bids mentioned above.

### **III. SUMMARY**

31. The purpose of UMIR 2.2(1) and 2.2(2)(b) and Policy 2.2 is to protect the marketplace from manipulative and deceptive trading activity and artificial pricing, which undermine the integrity of the marketplace and erode investor confidence.

32. Moorhead knew or ought to have known that his order entry activity would create or could reasonably be expected to create an artificial bid price. Moorhead entered the orders to assist the trader at Firm A to improve the daily profit and loss positions in his inventory account.



April 8, 2008

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**EXCERPTS FROM THE UNIVERSAL MARKET INTEGRITY RULES**

**2.2 Manipulative and Deceptive Activities**

- (1) A Participant or Access Person shall not, directly or indirectly, engage in or participate in the use of any manipulative or deceptive method, act or practice in connection with any order or trade on a marketplace if the Participant or Access Person knows or ought reasonably to know the nature of the method, act or practice.
- (2) A Participant or Access Person shall not, directly or indirectly, enter an order or execute a trade on a marketplace if the Participant or Access Person knows or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create:
  - (a) a false or misleading appearance of trading activity in or interest in the purchase or sale of the security; or
  - (b) an artificial ask price, bid price or sale price for the security or a related security.

...

**POLICY 2.2. – MANIPULATIVE AND DECEPTIVE ACTIVITIES**

**Part 1 – Manipulative or Deceptive Method, Act or Practice**

*There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice:*

- (a) *making a fictitious trade;*
- (b) *effecting a trade in a security which involves no change in the beneficial or economic ownership;*
- (c) *effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and*
- (d) *purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display.*

*If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.*

**Part 2 – False or Misleading Appearance of Trading Activity or Artificial Price**

*For the purposes of subsection (2) of Rule 2.2 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price, the entry of the order or the execution of the trade shall constitute a violation of subsection (2) of Rule 2.2:*

- (a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;*
- (b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;*
- (c) making purchases of, or offers to purchase, a security at successively higher prices or in a pattern generally of successively higher prices;*
- (d) making sales of or offers to sell a security at successively lower prices or in a pattern generally of successively lower prices;*
- (e) entering an order or orders for the purchase or sale of a security to:
  - (i) establish a predetermined sale price, ask price or bid price,*
  - (ii) effect a high or low closing sale price, ask price or bid price, or*
  - (iii) maintain the sale price, ask price or bid price within a predetermined range;**
- (f) entering an order or a series of orders for a security that are not intended to be executed;*
- (g) entering an order for the purchase of a security without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order;*

- (h) *entering an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order; and*
- (i) *effecting a trade in a security, other than an internal cross, between accounts under the direction or control of the same person.*

*If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (2) of Rule 2.2 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.*

### **Part 3 – Artificial Pricing**

*For the purposes of subsection (2) of Rule 2.2, an ask price, bid price or sale price will be considered artificial if it is not justified by real demand or supply in a security. Whether or not a particular price is "artificial" depends on the particular circumstances.*

*Some of the relevant considerations in determining whether a price is artificial are:*

- (a) *the prices of the preceding trades and succeeding trades;*
- (b) *the change in the last sale price, best ask price or best bid price that results from the entry of the order on a marketplace;*
- (c) *the recent liquidity of the security;*
- (d) *the time the order is entered and any instructions relevant to the time of entry of the order; and*
- (e) *whether any Participant, Access Person or account involved in the order:*
  - (i) *has any motivation to establish an artificial price, or*
  - (ii) *represents substantially all of the orders entered or executed for the purchase or sale of the security.*

*The absence of any one or more of these considerations is not determinative that a price is or is not artificial.*