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For further information, please contact:

Lucy Becker
Vice President, Public Affairs
416.943-5870
lbecker@iroc.ca

Charlene Fong
Public Affairs Specialist
416-943-5846
cfong@iroc.ca

Focus on market integrity as trading evolves

IIROC issues final guidance on manipulative and deceptive trading practices

February 14, 2013 (Toronto, ON) – The Investment Industry Regulatory Organization of Canada (IIROC) today issued final [Guidance](#) on certain manipulative and deceptive trading practices following consultations that took place in 2012.

IIROC's [Universal Market Integrity Rules \(UMIR\)](#) prohibit market manipulation and abusive trading practices by any means, whether through the use of sophisticated technology or manual methods.

IIROC recognizes, however, that innovations in technology can be used to facilitate potentially abusive trading strategies often associated with algorithmic and high frequency trading (HFT). Today's Guidance sets out, but is not limited to, five specific trading strategies that would be considered manipulative and deceptive:

- Layering;
- Quote Stuffing;
- Quote Manipulation;
- Spoofing; and
- Abusive Liquidity Detection.

“In this changing environment where market structure and dynamics are evolving quickly, IIROC will continue to actively monitor for abusive practices as well as new forms of manipulation that may emerge,” said IIROC President and Chief Executive Officer Susan Wolburgh Jenah.

IIROC-regulated dealers serve as gatekeepers and play an important role in fostering market integrity and confidence. Ensuring they have procedures to detect and report manipulative and deceptive activity, as well as processes and controls to review trading by clients that use sophisticated technologies, is integral to achieving this outcome.

IIROC's [comprehensive study](#) on trading activity related to HFT in the Canadian equity markets is currently entering the third phase, which will explore the impact of HFT and related trading on market quality and integrity. This research will help to inform future reforms that should be considered.

IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.