

For Immediate Release

April 9, 2020

Joint statement by Canadian Securities Administrators and Investment Industry Regulatory Organization of Canada on recent volatility in Canadian equity markets

Toronto – As a result of COVID-19, there has been significant volatility in Canadian equity markets in Canada and around the world. The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) are working to ensure that our capital markets continue to operate in a fair and orderly fashion.

“Our markets play an essential role in supporting businesses, governments and the broader economy,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “During this period of increased volatility, CSA members are in close contact with IIROC’s surveillance and analytics teams, to ensure our markets continue to function in a fair and orderly manner.”

“IIROC’s market monitoring and surveillance functions remain robust, secure and resilient – and despite the significant volume and volatility of current market conditions, our systems continue to perform well,” says Andrew J. Kriegler, IIROC’s President and CEO. “Over the past several weeks, IIROC has managed four market-wide circuit breakers and an increased number of single-stock circuit breakers. All breakers have operated as designed: to mitigate the risks of short-term price movements and ensure fair and orderly markets.”

The CSA and IIROC continue to monitor developments in other jurisdictions, including decisions by some countries to introduce short selling restrictions. IIROC’s data shows that short selling activity continues to represent a low percentage of total market activity and remains consistent with short selling activity prior to the pandemic. There is no evidence that short selling activity has been the driver of recent market declines.

We recognize that many investment and risk management strategies rely on the ability to take both 'long' and 'short' positions. These strategies benefit a wide range of retail and institutional investors both directly and indirectly, and any changes or restrictions to short selling could negatively impact these benefits. These negative impacts were observed in research conducted after the 2008 short sale bans were implemented on financial sector securities.

IIROC has a robust framework in place to monitor short selling, and detect and intervene in instances involving abusive or manipulative trading. Under the market integrity rules and securities legislation, each short sale is required to be marked, and dealers and investors are prohibited from initiating a short sale without the expectation to settle the trade. Dealers must also report short positions and failed trades to IIROC. To provide public transparency, IIROC publishes a summary of reported short positions, as well as a summary of short sale activity, on

its website on a bi-monthly basis. Additionally, IIROC has the ability to declare any security ineligible for short selling if circumstances warrant it.

We remind dealers to reasonably ensure that clients initiating short sales have the securities available for delivery.

The CSA and IIROC will continue to examine new information from any market participant, including issuers and the public, regarding suspected instances of abusive short selling and other forms of market manipulation. If warranted based on either new information or from analysis, we will consider limiting short selling on particular securities.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

IIROC is the pan-Canadian self-regulatory organization that oversees all investment dealers and their trading activity in Canada's debt and equity markets.

For investor inquiries, please refer to your respective securities regulator. You can contact them [here](#).

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca.

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