

## **RULE 2800B**

### **RETAIL DEBT MARKET TRADING AND SUPERVISION**

#### **Purpose**

Rule 2800B describes the standards for trading and supervision by Corporation Dealer Members of retail domestic [debt](#) market activity.

Rule 2800B is supplementary to and explanatory of the [Rules](#) of the Corporation. It does not replace or restrict the application of the [Rules](#) to the retail domestic [debt](#) market.

#### **1. Definitions**

“**Retail Debt Market Trading**” means trading conducted by Dealer Members, whether as principal or agent, to fill orders received from a [retail customer](#) for any [debt](#) or fixed income securities or any derivative instruments thereon including, without limitation, repo, security lending and other specialty or related [debt](#) markets.

“**Retail Customer**” means a customer of the Dealer Member that is not an institutional client as defined in Rule 2700.

#### **2. Dealer Member Policies and Procedures**

Dealer Members shall have written policies and procedures relating to trading in the Retail Debt Market and the matters identified in this Rule. Such policies and procedures shall be approved by the board of directors of the Dealer Member or an appropriate level of senior management and by the Corporation. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Dealer Member’s business and remain appropriate as such business and market circumstances change.

#### **3. Commissions and Mark-Ups**

Dealer Members must have written procedures or guidelines issued to its registered representatives regarding mark-ups or commissions on [debt](#) or fixed income securities sold to the Dealer Member’s retail customers. The Dealer Member must have reasonable monitoring procedures to detect and monitor mark-ups or commissions which exceed those specified in the written procedures or guidelines and ensure that such mark-up or commission is justified in the reasonable judgment of the Dealer Member.

#### **4. Market Conduct**

##### **4.1 Duty to Deal Fairly**

Dealer Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Dealer Members shall act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Retail Debt Market.

##### **4.2 Prohibited Practices**

Without limiting the generality of the foregoing, no Dealer Member or partner, [officer](#), director, employee or agent of a Dealer Member shall:

- (a) engage in any trading practices in the Retail Debt Market that are fraudulent, deceptive or manipulative; such as

- (1) executing trades which are primarily intended to artificially increase trading volumes;
  - (2) executing trades which are primarily intended to artificially increase or decrease trading prices;
  - (3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers that the Dealer Member or partner, director, [officer](#), employee or agent of the Dealer Member knows or believes, or reasonably ought to know or believe, to be false or misleading;
  - (4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or
  - (5) conspiring or colluding with another registrant to manipulate or unfairly deal in the Retail Debt Market.
- (b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:
- (1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;
  - (2) executing proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval;
  - (3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;
  - (4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or
  - (5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;
  - (6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.
- (c) engage in any trading in derivatives on [debt](#) market instruments in contravention of the above prohibitions.
- (d) accept any order from or effect any trade for a [retail customer](#) if the Dealer Member knows or has reasonable grounds to believe that the customer is, by giving the order or conducting the trade, contravening this Rule 2800B or any statute or regulation, or any rule, policy, directive, order or other requirement of any regulatory authority, exchange or [self-regulatory organization](#) governing the Dealer Member or the market in which the trade will be effected.