

## 1.2 Interpretation

- (1) Unless otherwise defined or interpreted, every term used in UMIR that is:
  - (a) defined in subsection 1.1(3) of National Instrument 14-101 – Definitions has the meaning ascribed to it in that subsection;
  - (b) defined or interpreted in the Marketplace Operation Instrument has the meaning ascribed to it in that National Instrument;
  - (c) defined or interpreted in the Electronic Trading Rules has the meaning ascribed to it in that National Instrument; and
  - (d) a reference to a requirement of an Exchange or a QTRS shall have the meaning ascribed to it in the applicable Marketplace Rule.
  
- (2) For the purposes of UMIR, the following terms shall be as defined by applicable securities legislation except that:

**“person”** includes any corporation, incorporated association, incorporated syndicate or other incorporated organization.

**“trade”** includes a purchase or acquisition of a security for valuable consideration in addition to any sale or disposition of a security for valuable consideration.
  
- (3) In determining the value of an order for the purposes of Rule 6.3, Rule 6.4 and Rule 8.1, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated by multiplying the number of units of the security to be bought or sold under the order by:
  - (a) in the case of a limit order for the purchase of a security, the lesser of:
    - (i) the specified maximum price in the order, and
    - (ii) the best ask price;
  - (b) in the case of a limit order for the sale of a security, the greater of:
    - (i) the specified minimum price in the order, and
    - (ii) the best bid price;
  - (c) in the case of a market order for the purchase of a security, the best ask price; and
  - (d) in the case of a market order for the sale of a security, the best bid price.
  
- (4) For the purposes of determining the “last sale price”, if a sale of at least a standard trading unit of a particular security has not been previously displayed in a consolidated market display the last sale price shall be deemed to be the price:
  - (a) of the last sale of the security on an Exchange, if the security is a listed security;
  - (b) of the last sale of the security on a QTRS, if the security is a quoted security;
  - (c) at which the security has been issued or distributed to the public, if the security has not previously traded on a marketplace; and that has been accepted by a Market Regulator, in any other circumstance.

- (d) that has been accepted by a Market Regulator, in any other circumstance.
- (5) For the purposes of determining the price at which a security is trading for the purposes of the definition of a “standard trading unit”, the price shall be the last sale price of the particular security on the immediately preceding trading day on the Exchange on which the security is listed or the QTRS on which the security is quoted.
- (6) For the purposes of the definition of “restricted period”:
  - (a) the selling process shall be considered to end:
    - (i) in the case of a prospectus distribution, if a receipt has been issued for the final prospectus by the applicable securities regulatory authority and the Participant has allocated all of its portion of the securities to be distributed under the prospectus and all selling efforts have ceased, and
    - (ii) in the case of a restricted private placement, the Participant has allocated all of its portion of the securities to be distributed under the offering;
  - (b) stabilization arrangements shall be considered to have terminated on the date that is the earlier of when:
    - (i) in the case of a syndicate of underwriters or agents, the lead underwriter or agent determines, in accordance with the syndication agreement, that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a Participant after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the Participants that were party to the stabilization arrangements, or
    - (ii) the offered securities, exclusive of any securities that may be issued pursuant to the exercise of an option granted to a dealer-restricted person to cover over-allotment of securities in the distribution, are issued and all statutory rights of withdrawal in connection with such issuance have expired; and
  - (c) if the offering price is determined by a formula involving trading activity in the offered security or a connected security on one or more marketplaces for a period of time, the offering price shall be considered to be determined on the first trading day included in the calculation for the purposes of the formula.
- (7) Where used to indicate a relationship with an entity, associated entity has the meaning ascribed to the term "associate" in applicable securities legislation and also includes any person of which the entity beneficially owns voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the person.
- (8) For the purposes of determining the “best ask price” or the “best bid price” at any particular time reference is made to orders contained in a consolidated market display for a protected marketplace that is then open for trading and in respect of which trading in the particular security on that marketplace has not been:
  - (a) halted, suspended or delayed for regulatory purposes in accordance with Rule 9.1; or

- (b) halted, suspended or delayed in accordance with a Marketplace Rule or a requirement of the marketplace.

## **POLICY 1.2 - INTERPRETATION**

### **Part 1 – Meaning of “acting jointly or in concert”**

*The definitions of a “dealer-restricted person” and “issuer-restricted person” include a person acting jointly or in concert with a person that is also a dealer-restricted person or an issuer-restricted person, as applicable, for a particular transaction. For the purposes of these definitions, “acting jointly or in concert” has a similar meaning to that phrase as defined in section 91 of the Securities Act (Ontario) or similar provisions of applicable securities legislation, with necessary modifications. In the context of these definitions only, it is a question of fact whether a person is acting jointly or in concert with a dealer- or issuer-restricted person and, without limiting the generality of the foregoing, every person who, as a result of an agreement, commitment or understanding, whether formal or informal, with a dealer-restricted person or an issuer-restricted person, bids for or purchases any restricted security will be presumed to be acting jointly or in concert with such dealer- or issuer-restricted person.*

### **Part 2 – Meaning of “selling process has ended”**

*The definition of “restricted period”, with respect to a prospectus distribution and a “restricted private placement”, refers to the end of the period as the date that the selling process ends and all stabilization arrangements relating to the offered security are terminated. Rule 1.2(6)(a) provides interpretation as to when the selling process is considered to end. As further clarification, the selling process is considered to end for a prospectus distribution when the receipt for the prospectus has been issued, the Participant has distributed all securities allocated to it and, is no longer stabilizing, all selling efforts have ceased and the syndicate is broken. Selling efforts have ceased when the Participant is no longer making efforts to sell, and there is no intention to exercise an over-allotment option other than to cover the syndicate’s short position. If the Participant or syndicate subsequently exercises an over-allotment option in an amount that exceeds the syndicate short position, the selling efforts would not be considered to have ceased. Securities allocated to a Participant that are held and transferred to the inventory account of the Participant at the end of the distribution are considered distributed. Subsequent sales of such securities are secondary market transactions and should occur on a marketplace subject to any applicable exemptions (unless the subsequent sale transaction is a distribution by prospectus). To provide certainty around when the distribution has ended, appropriate steps should be taken to move the securities from the syndication account to the inventory account of the Participant.*

### **Part 3 – “Ought Reasonably to Know”**

*Rule 2.2 prohibits a Participant or Access Person from doing various acts if the Participant or Access Person “knows or ought reasonably to know” that a particular method, act or practice was manipulative or deceptive or that the effect of entering an order or executing a trade would create or could reasonably be expected to create a false or misleading appearance of trading activity or interest or an artificial price. Rule 2.3 prohibits a Participant or Access Person from entering an order on a marketplace or executing a trade if the Participant or Access Person*

“knows or ought reasonably to know” that the entry of the order or the execution of the trade would result in the violation of various securities or regulatory requirements.

In determining what a person “ought reasonably to know” reference would be made to what a Participant or Access Person would know, acting honestly and in good faith, and exercising the care, diligence and skill that a reasonably prudent Participant or Access Person would exercise in comparable circumstances. In essence, the test becomes what could a Participant or Access Person have been expected to know if the Participant or Access Person had:

- adopted various policies and procedures as required by applicable securities legislation, self-regulatory entities, UMIR and the Policies; and
- conscientiously followed or observed the policies and procedures.

#### **Part 4 - Applicable Regulatory Standards**

Rule 7.1 requires each Participant prior to the entry of an order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders. Each Participant that is a dealer must be a member of a self-regulatory entity. Each Participant will be subject to the by-laws, regulations and policies as adopted from time to time by the applicable self-regulatory entity. These requirements may include an obligation on the member to “use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.” While knowledge by a Participant of “essential facts” of every customer and order is necessary to determine the suitability of any investment for a client, such requirement is not limited to that single application. The exercise of due diligence to learn essential facts “relative to every customer and to every order” is a central component of the “Gatekeeper Obligation” embodied within the trading supervision obligation under Rule 7.1 and 10.16. In addition, securities legislation applicable in a jurisdiction may impose review standards on Participants respecting orders and accounts. The regulatory standards that may apply to a particular order may vary depending upon a number of circumstances including:

- the requirements of any self-regulatory entity of which the Participant is a member;
- the type of account from which the order is received or originated; and
- the securities legislation in the jurisdiction applicable to the order.

<b>Defined Terms:</b>	NI 14-101 section 1.1(3) – “jurisdiction”, “securities legislation” and “securities regulatory authority” NI 21-101 section 1.1 – “order” and “self-regulatory entity” NI 21-101 section 1.4 – Interpretation -- “security” UMIR section 1.1 – “Access Person”, “best ask price”, “best bid price”, “connected security”, “consolidated market display”, “dealer-restricted person”, “Electronic Trading Rules”, “Exchange”, “issuer-restricted person”, “last sale price”, “limit order”, “listed security”, “Market Operation Instrument”, “market order”, “marketplace”, “Marketplace Regulator”, “Marketplace Rule”, “offered security”, “Participant”, “Policy”, “QTRS”, “quoted security”, “restricted period”, “restricted private placement”, “restricted security”, “standard trading unit”, “trading day” and “UMIR” UMIR section 1.2(2) – “person” and “trade”
<b>Related Provisions:</b>	UMIR section 1.1 – definitions of “last sale price” and “standard trading unit” UMIR section 2.2. – Manipulative and Deceptive Activities UMIR section 2.3 – Improper Orders and Trades UMIR section 6.3 – Exposure of Client Orders UMIR section 6.4 – Trades to be on a Marketplace UMIR section 7.1 – Trading Supervision Obligations UMIR section 7.7 – Trading During Certain Securities Transactions UMIR section 8.1 – Client-Principal Trading

UMIR section 9.1 – Regulatory Halts, Delays and Suspensions of Trading

UMIR section 10.16 – Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons

**Regulatory History:**

Effective February 25, 2005, the applicable securities commissions approved amendments that came into force on May 9, 2005 to add subsections (6) and (7) to section 1.2 and to add Parts 1 and 2 of Policy 1.2, related to amendments to the market stabilization rules in UMIR 7.7. See Market Integrity Notice 2005-007 – “Amendments Respecting Trading During Certain Securities Transactions” (March 24, 2005).

Effective April 1, 2005, the applicable securities commissions approved amendments to add Part 3 (“Ought Reasonably to Know”) and Part 4 (“Applicable Regulatory Standards”) of Policy 1.2. See Market Integrity Notice [2005-011](#) – “**Provisions Respecting Manipulative and Deceptive Activities**” (April 1, 2005).

In connection with the recognition of IIROC and its adoption of UMIR, the applicable securities commissions approved an amendment to section 1.2 that came into force on June 1, 2008 to make editorial changes. See Footnote 1 in [Status of Amendments](#).

Effective January 8, 2010, the applicable securities commissions approved amendments to subsection (6) of section 1.2 and to add subsection (8) to section 1.2, related to amendments to the market stabilization rules in UMIR 7.7. See IIROC Notice [10-0006](#) – “**Provisions Respecting Trading During Certain Securities Transactions**” (January 8, 2010).

Effective February 1, 2011, the applicable securities commissions approved amendments to add the reference to “Rule 6.4” to subsection (3) of section 1.2. See IIROC Notice [09-0328](#) – “**Provisions Respecting Implementation of the Order Protection Rule**” (November 13, 2009).

Effective March 1, 2013, the applicable securities commissions approved amendments to renumber clause (c) of subsection 1.2(1) as clause (d) and to add new clause (c) to reference the CSA’s Electronic Trading Rules. 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).

Effective September 18, 2015, the applicable securities commissions approved amendments to subsection 5 and 8 of UMIR 1.2. See IIROC Notice [15-0211](#) - Notice of Approval – “**Provisions Respecting Unprotected Transparent Marketplaces and the Order Protection Rule**” (September 18, 2015).

**Guidance:**

See Market Integrity Notice [2005-026](#) - “**Guidance – Securities Trading on Marketplaces in U.S. and Canadian Currencies**” (July 28, 2005).