

PART 10 – COMPLIANCE

10.1 Compliance Requirement

- (1) Each Participant and Access Person shall comply with applicable Requirements.
- (2) For the purposes of subsection (1), a Participant or Access Person shall, with respect to a particular order, comply with the Marketplace Rules of:
 - (a) the marketplace on which the particular order is entered; and
 - (b) the marketplace on which the particular order is executed.
- (3) Each marketplace shall comply with the applicable Requirements, the Market Operation Instrument and any other applicable securities regulatory requirements.
- (4) The Market Regulator shall promptly report to the applicable securities regulatory authorities, if the Market Regulator believes that a marketplace has failed to comply with the requirements of subsection (3) or has otherwise engaged in misconduct or apparent misconduct.
- (5) A Subject Person shall not do any act that the Subject Person knows or could have known after the exercise of reasonable diligence would impede or obstruct the ability of a Market Integrity Official to exercise a power under Rule 10.9.
- (6) Without limiting the generality of subsection (5), a Subject Person shall be considered to have impeded or obstructed the ability of a Market Integrity Official to exercise a power if the Subject Person:
 - (a) destroys or renders inaccessible any document in the possession or control of the Subject Person, whether or not the document is of the form or type that must be retained in accordance with Rule 10.12, that is relevant to the exercise of power;
 - (b) provides any information, document, record or statement to the Market Integrity Official in connection with the exercise of a power that is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading; or
 - (c) persuades or attempts to persuade any person by whatever means to:
 - (i) destroy or render inaccessible any document in the possession or control of that other person relevant to the exercise of power, or
 - (ii) provide any information, document, record or statement to the Market Integrity Official in connection with the exercise of a power that would

- (iii) be misleading or untrue or would not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading.
- (7) Without limiting the availability of other defenses, a Subject Person shall not be considered to have breached subsection (5) or (6) if the Subject Person did not know or could not have known after the exercise of reasonable diligence that:
- (a) the document was relevant to the exercise of a power; or
 - (b) the information, document, record or statement was or would be misleading or untrue or that it omitted to state a fact that was required to be stated or that was necessary to make the information, document, record or statement not misleading in light of the circumstance in which it was made or would be made.

POLICY 10.1 – COMPLIANCE REQUIREMENT

Part 1 – Monitoring for Compliance

Rule 10.1 requires each Participant and Access Person to comply with applicable Requirements. The term “Requirements” is defined as meaning:

- *UMIR;*
- *the Policies;*
- *the Trading Rules;*
- *the Marketplace Rules;*
- *any direction, order or decision of the Market Regulator or a Market Integrity Official; and*
- *securities legislation,*

as amended, supplemented and in effect from time to time.

The Market Regulator will monitor the activities of Subject Persons for compliance with each aspect of the definition of Requirements and use the powers under Consolidated Rule 8100 to conduct any enforcement investigation into possible non-compliance. If the Subject Person has not complied with:

- *UMIR, the Policies or any direction, order or decision of the Market Regulator or a Market Integrity Official, the Market Regulator may undertake a disciplinary proceeding pursuant to Consolidated Rule 8200 or Rule 10.5 with respect to temporary restriction of access;*
- *the Trading Rules or securities legislation, the Market Regulator may, pursuant to the exchange of information provided for under Rule 10.13, refer the matter to the applicable securities regulatory authority to be dealt with in accordance with applicable securities legislation; and*
- *Marketplace Rules, the Market Regulator may undertake a disciplinary proceeding pursuant to Consolidated Enforcement Rule 8200 or Rule 10.5 with respect to temporary restriction of access, if the marketplace has retained the Market Regulator to conduct disciplinary proceedings on behalf of the marketplace in accordance with an agreement with the Market Regulator contemplated by Part 7 of the Trading Rules, otherwise the*

Market Regulator may refer the matter to the marketplace to be dealt with in accordance with the Marketplaces Rules of that marketplace.

Defined Terms:	NI 14-101 section 1.1(3) – “securities legislation” and “securities regulatory authority” NI 21-101 section 1.1 – “order” UMIR section 1.1 – “Access Person”, “document”, “Market Integrity Official”, “Market Regulator”, “Market Operation Instrument”, “marketplace”, “Marketplace Rules”, “Participant”, “Policy”, “Subject Person”, “Requirements”, “Trading Rules” and “UMIR”
Regulatory History:	Effective March 11, 2005, the applicable securities commissions approved amendments to Rule 10.1 to add subsections (5), (6) and (7). See Market Integrity Notice 2005-008 – “ Provisions Respecting Impeding or Obstructing a Market Regulator ” (March 11, 2005). Effective April 1, 2005, the applicable securities commissions approved amendments to add Part 1 of Policy 10.1. 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 Part 1 of Policy 10.1 that came into force on June 1, 2008 to replace the phrase “these Rules” with “UMIR”. See Footnote 1 in Status of Amendments . 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 1, 2016, the applicable securities commissions approved amendments to Rule 10.1 and Policy 10.1, which include the repeal of provisions referencing compliance with the conduct of “investigations and hearings” by IIROC, as the obligation will be included in the consolidated compliance examinations rule 9100 and enforcement investigations and proceedings rules 8100 and 8200. See IIROC Notice 16-0122 – “ Implementation of the consolidated IIROC Enforcement, Examination and Approval Rules ” (June 9, 2016).
Partially Repealed Guidance:	See Market Integrity Notice 2006-020 – “ Compliance Requirements for Trading on Multiple Marketplaces ” (October 30, 2006). Questions 5, 7 and 9 in Market Integrity Notice 2006-020 were repealed and replaced by Market Integrity Notice 2008-010 – “ Complying with “Best Price” Obligations ” (May 16, 2008). Question 3 in Market Integrity Notice 2006-020 was repealed and replaced by IIROC Notice 12-0236 – “ Guidance on Marketplace Disclosure for Trade Confirmations ” (July 27, 2012).
Repealed Guidance:	See IIROC Notice 12-0236 – “ Guidance on Marketplace Disclosure for Trade Confirmations ” (July 27, 2012). This notice was repealed and replaced by IIROC Notice 13-0283 – “ Guidance on Marketplace and Average Price Disclosure for Trade Confirmations ” (November 25, 2013).
Guidance:	See IIROC Notice 13-0283 – “ Guidance on Marketplace and Average Price Disclosure for Trade Confirmations ” (November 25, 2013).
Disciplinary Proceedings:	<u>In the Matter of Robert Horner (“Horner”) (February 26, 2004) SA 2004-003</u> <i>Facts</i> – Between November 1999 and March 2000, Horner was the responsible broker for two separate normal course issuer bids (“NCIBs”). Client X, an insider of both companies, engaged in a practice of making purchases of shares of both companies for his personal account at prices higher than the last independent trade. Client X then made purchases pursuant to the NCIBs at the up-ticked prices. <i>Disposition</i> – Trades made directly or indirectly for the account of an insider do not constitute “independent trades” for the purposes of establishing “last independent trade” in the context of NCIBs. As the designated broker, Horner had the responsibility to ensure all trades made in relation to the NCIBs were in compliance with applicable rules. <i>Requirements Considered</i> - Section 23.16 of the General By-Law of the TSX, Section 9 of Part XXVIII of the Policies of the TSX and Rule 6-501 and Policy 6-501(9) of the TSX. Comparable UMIR Provision Rule 10.1 <i>Sanction</i> – \$25,000 fine, costs of \$12,000 and disgorgement of \$5,220
Disciplinary Proceedings:	<u>In the Matter of Rhonda Hymers (“Hymers”) (March 11, 2004) SA 2004-004</u> <i>Facts</i> – Between November 1999 and March 2000, Hymers, a licensed assistant, entered trades on behalf of client X in relation to a normal course issuer bids (“NCIBs”) for two different companies. Client X, who was an insider of both companies, engaged in a practice of making purchases of shares of the companies for his personal account at prices higher than the last independent trade. Client X then made purchases pursuant to the NCIBs at the up-ticked prices. Hymers entered trades in respect of these transactions.

Disposition – Trades made directly or indirectly for the account of an insider do not constitute “independent trades” for the purposes of establishing “last independent trade” in the context of NCIBs. In her capacity as a licensed assistant, Hymers had the responsibility to ensure all trades made in relation to the NCIBs were in compliance with applicable rules.

Requirements Considered - Section 23.16 of the General By-Law of the TSX, Section 9 of Part XXVIII of the Policies of the TSX and Rule 6-501 and Policy 6-501(9) of the TSX. Comparable UMIR Provision – Rule 10.1

Sanction – \$12,500 fine and costs of \$2,000

Disciplinary Proceedings: *Rule 10.1 was considered **In the Matter of Lakeshore Securities Inc. (“Lakeshore”) (November 11, 2014) DN 14-0262.** See Disciplinary Proceedings under Rule 7.1.*