



Appendix B - Text of UMIR to Reflect Amendment to the Short-marking Exempt Order Definition

Text of UMIR Provisions Marked to Reflect Adoption of the Amendment	Text of UMIR Following Adoption of the Amendment
<p>UMIR 1.1</p> <p>“short-marking exempt order” means an order for the purchase or sale of a security from an account that is:</p> <ul style="list-style-type: none"> (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; (c) a client, non-client or principal account: <ul style="list-style-type: none"> (i) for which order generation and entry is fully-automated, and (ii) which, in the ordinary course, does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security;or (d) a principal account that has acquired during a trading day a position in a particular security in a transaction with a client that is unwound during the balance of the trading day such that, in the ordinary course, the account does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security; or (e) a principal account for a Participant that has: <ul style="list-style-type: none"> (i) Marketplace Trading Obligations in respect of an Exempt Exchange-traded Fund, or (ii) entered into an agreement for continuous distribution of an Exempt Exchange-traded Fund; <p>if the order is for the Exempt Exchange-traded Fund security or one of its underlying securities to hedge a pre-existing position in the Exempt Exchange-traded Fund security or one of its underlying securities and in the ordinary course, the account does not have, at the end of each trading day, more than a minimal exposed risk.</p> 	<p>UMIR 1.1</p> <p>“short-marking exempt order” means an order for the purchase or sale of a security from an account that is:</p> <ul style="list-style-type: none"> (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; (c) a client, non-client or principal account: <ul style="list-style-type: none"> (i) for which order generation and entry is fully-automated, and (ii) which, in the ordinary course, does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security; (d) a principal account that has acquired during a trading day a position in a particular security in a transaction with a client that is unwound during the balance of the trading day such that, in the ordinary course, the account does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security; or (e) a principal account for a Participant that has: <ul style="list-style-type: none"> (i) Marketplace Trading Obligations in respect of an Exempt Exchange-traded Fund, or (ii) entered into an agreement for continuous distribution of an Exempt Exchange-traded Fund; <p>if the order is for the Exempt Exchange-traded Fund security or one of its underlying securities to hedge a pre-existing position in the Exempt Exchange-traded Fund security or one of its underlying securities and in the ordinary course, the account does not have, at the end of each trading day, more than a minimal exposed risk.</p>



Appendix C - Comments Received in Response to Rules Notice 15-0156 – Rules Notice – Request for Comments – UMIR– Proposed Amendment to the Short-marking Exempt Order Definition (July 16, 2015) and Rules Notice 15-0155 – Rules Notice – Request for Comments – UMIR - Proposed Updated Guidance on “Short Sale” and “Short-Marking Exempt” Order Designations (July 16, 2015)

On July 16, 2015 IIROC issued Notice 15-0156 requesting comments on Proposed Amendment to the Short-marking Exempt Order Definition and Notice 15-0155 requesting comments on Proposed Updated Guidance on “Short Sale” and “Short-Marking Exempt” Order Designations. IIROC received comments on these Notices from:

BMO Capital Markets (“BMO”)

The Investment Industry Association of Canada (“IIAC”)

National Bank Financial Inc. (“NB”)

A copy of the comment letters received in response to the Proposed Amendments and the Proposed Guidance are publically available on the website of IIROC (www.iiroc.ca under the heading “Notices”, sub-heading “Marketplace Rules” and further sub-heading “Request for Comments”). The following table presents a summary of the comments received on the Proposed Amendments and the Proposed Guidance together with the responses of IIROC to those comments. No changes were made to the Proposed Amendments as a result of the comments received.

Text of Final Rule	Commentator and Summary of	IIROC Response to Commentator and
UMIR 1.1 “short-marking exempt order” means an order for the purchase or sale of a security from an account that is: (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; (c) a client, non-client or principal account: (i) for which order generation and entry is fully-automated, and (ii) which, in the ordinary course, does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security;	IIAC – Expresses support for the proposed amendment.	IIROC acknowledges the comment and the support for the proposed Amendment.
	NB – Support the proposed guidance but suggests that the guidance be expanded to include Index Futures market making which exhibit similar qualities in terms of hedging and net exposures.	IIROC acknowledges the support for the proposed Amendment. The scope of the proposed amendments was not intended to extend SME order marking generally to all hedging strategies but rather only address situations where the Participant has entered into an agreement with an ETF issuer to maintain a continuous distribution of an ETF of that issuer.



Text of Final Rule	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>(d) a principal account that has acquired during a trading day a position in a particular security in a transaction with a client that is unwound during the balance of the trading day such that, in the ordinary course, the account does not have, at the end of each trading day, more than a nominal position, whether short or long, in a particular security ; or</p> <p>(e) a principal account for a Participant that has:</p> <ul style="list-style-type: none">(i) Marketplace Trading Obligations in respect of an Exempt Exchange-traded Fund, or(ii) entered into an agreement for continuous distribution of an Exempt Exchange-traded Fund; <p>if the order is for the Exempt Exchange-traded Fund security or one of its underlying securities to hedge a pre-existing position in the Exempt Exchange-traded Fund security or one of its underlying securities and in the ordinary course, the account does not have, at the end of each trading day, more than a minimal exposed risk.</p>	<p>BMO – Supports the proposed amendmends but suggests that the application be expanded to include a Participant engaged in market making activities without a Continuous Distribution Agreement in place.</p>	<p>IIROC acknowledges the support for the proposed amendment. For the purpose of the amendment, we have considered ETF “market making” to only include the trading activity of a Participant who has entered into a Continuous Distribution Dealer Agreement with the issuer. We are aware that this type of agreement is commercial and not regulatory, however the operation of such agreement is essential to facilitate the creation and redemption of an ETF through the issuer. The expansion of the definition was not intended to include other hedging strategies, including those involving the creation or redemption of ETFs though a third party Participant.</p>