

| Market Integrity Notice |

Guidance

July 27, 2005

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Suggested Routing

- Trading
- Legal and Compliance

Key Topics

- Designations and Identifiers
- Order Bundling
- Short Sales

UMIR Provisions Referenced

- Rule 2.2 – Manipulative and Deceptive Activities
- Rule 3.1 – Restrictions on Short Selling
- Rule 6.2 – Designations and Identifiers

BUNDLING ORDERS FROM A LONG AND SHORT POSITION

Summary

This Market Integrity Notice provides guidance on the obligations of a Participant or Access Person under the Universal Market Integrity Rules with respect to the entry of orders and the execution of trades involving the bundling together of sale orders from a long position and a short position.

Questions / Further Information

For further information or questions concerning this notice contact:

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BUNDLING ORDERS FROM A LONG AND SHORT POSITION

Summary

This Market Integrity Notice provides guidance on the obligations of a Participant or Access Person under the Universal Market Integrity Rules (“UMIR”) with respect to the entry of orders and the execution of trades involving the bundling together of sale orders from a long position and a short position.

General Requirement

Generally, a sale order from a long position may not be bundled together with a sale order from a short position and entered on a marketplace as a single order. The orders should be entered separately, one being entered as a sale order from a long position and the other entered as a sale order from a short position and marked with the appropriate designation as required by Rule 6.2 of UMIR.

Exceptions

A sale order from a long position may be bundled with a sale order from a short position if:

- the bundled order is entered on a marketplace for the account or accounts of a single beneficial owner; or
- the bundled order is part of an intentional cross.

These exceptions are **not** available in certain circumstances and a bundled order involving sales from both a long and a short position must **not be entered** on a marketplace:

- prior to the opening of trading on that marketplace as the “short” element of the order might adversely impact the price at which the security opens for trading on that marketplace; or
- during a trading session when all trades in a particular security are executed at a single price.

Marking a Bundled Order

On entry, the bundled order should be marked as “short exempt” if that marker is available on the marketplace on which the order is entered (such as the Toronto Stock Exchange). If the

order is entered on a marketplace which does not provide for the inclusion of a “short exempt” marker (such as the TSX Venture Exchange and Canadian Trading and Quotation System Inc.), the trade should not be identified as a “short sale”.

Compliance with Short Sale Restrictions

The short sale component of the trade will be considered to comply with the requirement under Rule 3.1 that a short sale not be undertaken at a price less than the last sale price. In executing a bundled order, the long portion of the order will be deemed to have traded first. If the bundled order does not fully execute in a single transaction, the Participant or Access Person must ensure that the short portion of a bundled order does not execute at a price lower than the last sale price.

A sale from a long position, at a price that is below the previous sale price, can be used as the last sale price for a subsequent short sale by the same beneficial holder of the security. However, a person will be considered to have undertaken a manipulative or deceptive activity contrary to Rule 2.2. of UMIR if that person purchases a security at a price for the purpose of establishing a last sale price to facilitate a short sale at that price. For example Client X, who wishes to sell short a total of 1,000 shares can not purchase 100 shares at a price lower than the immediately preceding last sale and then execute a short sale of 1,100 shares at the first purchase price.

Questions / Further Information

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