



Appendix “A”

Provisions Respecting Implementation of the Order Protection Rule

The Universal Market Integrity Rules are amended as follows:

1. Subsection (3) of Rule 1.2 is amended by deleting the word “and” and inserting the phrase “, Rule 6.4 and Rule” after the phrase “Rule 6.3”.
2. Rule 5.2 is deleted.
3. Rule 6.2 is amended by inserting the following as subclause (v.4) in clause (b) of subsection (1):
 - (v.4) a directed action order as defined in the Trading Rules,
4. Rule 6.4 is amended by:
 - (a) inserting a period after the first occurrence of the word “marketplace” and renumbering that sentence as subsection (1);
 - (b) deleting the phrase “unless the trade is” and substituting the phrase “Subsection (1) does not apply to a trade” and renumbering the sentence as subsection (2); and
 - (c) inserting the following as subsection (3):
 - (3) The exemption provided for in clause (d) of subsection (2) is unavailable to an order of a Canadian account denominated in Canadian funds that:
 - (a) is part of an intentional cross;
 - (b) is part of a pre-arranged trade;
 - (c) is for more than 50 standard trading units; or
 - (d) has a value of \$250,000 or moreif the entry of the order on a foreign organized regulated market would avoid execution against a better-priced order entered on a marketplace pursuant to Part 6 of the Trading Rules.
5. Rule 7.1 is amended by adding the following as subsection (5):



- (5) Notwithstanding any other provision of this Rule, a Participant or Access Person shall not mark an order on entry to a marketplace as a directed action order unless the Participant or Access Person has established, maintained and ensured compliance with written policies and procedures that are reasonably designed to prevent trade-throughs other than those trade-throughs permitted in Part 6 of the Trading Rules.

6. Rule 10.16 is amended by deleting clause (f) of subsection (1) and renumbering the remaining clauses accordingly.

The Policies to the Universal Market Integrity Rules are amended as follows:

1. Part 4 of Policy 5.1 is deleted and the following substituted:

Part 4 – Subject to Order Protection Rule

Notwithstanding any instruction or consent of the client, the provision of “best execution” for a client order is subject to compliance with the “order protection rule” under Part 6 of the Trading Rules by the marketplace on which the order is entered or by the Participant if the Participant has marked the order as a directed action order in accordance with Rule 6.2. Similarly, if a Participant considers a foreign organized regulated market in order to provide a client with “best execution”, the Participant must ensure that the condition in subsection (3) of Rule 6.4, if applicable, is satisfied prior to the execution on the foreign organized regulated market.

2. Policy 5.2 is deleted.
3. Policy 6.4 is amended by adding the following as Part 6:

Part 6 – Foreign Currency Translation

If a trade is to be executed on a foreign organized regulated market in a foreign currency, the foreign trade price shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on a foreign organized regulated market in that foreign jurisdiction in order to determine whether the condition in subsection (3) of Rule 6.4 restricting avoidance of Part 6 of the Trading Rules has been met. The Market Regulator regards a difference of one trading increment or less as "marginal" because the difference would be attributable to currency conversion. A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better priced order existed on a



marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11

4. Part 6 of Policy 7.1 is deleted and the following substituted:

Part 6 – Specific Provisions Respecting Trade-throughs

Each Participant must adopt written policies and procedures that are adequate, taking into account the business and affairs of the Participant, to ensure that an order:

- marked as “directed action order” in accordance with Rule 6.2 does not result in a trade-through other than a trade-through permitted under Part 6 of the Trading Rules; or
- entered on a foreign organized regulated market complies with the conditions in subsection (3) of Rule 6.4.

Each Access Person must adopt written policies and procedures that are adequate, taking into account the business and affairs of the Access Person, to ensure that an order marked as a “directed action order” in accordance with Rule 6.2 does not result in a trade-through other than a trade-through permitted under Part 6 of the Trading Rules.

The policies and procedures must set out the steps or process to be followed by the Participant or Access Person to ensure that the execution of an order does not result in a trade-through. The policies and procedures must specifically address the circumstances when the bypass order marker will be used in conjunction with a “directed action order”. These policies and procedures must address the steps which the Participant or Access Person will undertake on a regular basis, which shall not be less than monthly, to test that the policies and procedures are adequate.