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No. 2003-002

Suggested Routing: Institutional, Retail, Trading, Legal & Compliance

PROHIBITION ON DOUBLE PRINTING

Market Regulation Services Inc. ("RS") wishes to remind Participants of the prohibition on "double printing". The term "double printing" refers to two trades being made on a marketplace when only one trade was required to execute an order. For example, double printing occurs when a firm with a client order to buy purchases stock as principal (into inventory) and then crosses the stock to the client, effecting two trades on a marketplace to satisfy the client order. This practice creates artificial volume and results in inflated trading volume figures for both the firm and the marketplace, damaging the credibility of both the marketplace and its trading statistics.

Given the creation of artificial volume, double printing may constitute a manipulative and deceptive method of trading contrary to Rule 2.2 of the Universal Market Integrity Rules ("UMIR"). Rule 2.2 of UMIR prohibits firms from using, knowingly facilitating or participating in the use of any manipulative or deceptive method of trading in connection with the entry of an order or orders to trade on a marketplace for the purchase or sale of any security which creates or which could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for the security or a related security. Double printing may also result in a violation of client priority requirements contrary to Rule 5.3 of UMIR.

RS will be monitoring for double printing through its ongoing market surveillance activities as well as through periodic trade desk reviews of firms. Firms are encouraged to examine their trading practices and order handling procedures to ensure that orders are being marked and handled in accordance with UMIR. Violations may result in enforcement action being initiated by RS.

For additional information regarding this Market Integrity Notice, please contact Bruce Sinclair, Manager, Trade Desk Compliance at 416-646-7207, Noelle Wood, Senior Counsel, Operations and General Counsel at 416-646-7275 or email RS at inquiries@regulationservices.com.

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