

August 13, 2004

No. 2004-020

Suggested Routing: Trading, Legal & Compliance

SALES OF RESTRICTED SECURITIES

Market Regulation Services Inc. (“RS”) has recently received a number of inquiries as to whether a sale involving a “restricted” security should be marked as a “short sale”. For the purposes of the definition of a “short sale” under the Universal Market Integrity Rules, a person will be considered not to own a particular security if the securities they hold are subject to a restriction on sale imposed by:

- applicable securities legislation; or
- a requirement of a marketplace as a condition of listing or quoting the security.

If the holder of a security which is subject to a restriction on sale, whether imposed by securities legislation or the rules of a marketplace, enters an order on a marketplace for the sale of such security **before the expiration of the restrictions on sale imposed by securities legislation or the rules of a marketplace**, the order must be marked as a “short sale”. In order to comply with applicable securities legislation and regulatory requirements, an order for the sale of “restricted” securities should be marked as a “short sale” even where the sale restrictions will expire prior to the settlement date of the trade resulting from the execution of the order.

Questions

Questions concerning this notice may be directed to:

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