

July 9, 2002

2002-012

*Suggested Routing: Trading, Legal & Compliance*

## **REGULATION ID ORDER MARKERS AND ORDER INHIBITION DURING REGULATORY HALTS & SUSPENSIONS**

### **Background**

On April 1, 2002, the Universal Market Integrity Rules (“UMIR”) became effective and applied to trading on The Toronto Stock Exchange (“TSX”) and the Canadian Venture Exchange, now the TSX Venture Exchange (“TSX VE”). As set out in Market Integrity Notice 2002-003, implementation of certain provisions of UMIR was deferred to permit systems development by the exchanges, information processors, data vendors and dealers. In particular, implementation was deferred until June 3, 2002 or such later date as published by RS for the following provisions:

1. the requirement under Rule 6.2 that an order entered on a marketplace contain a designation if the order is entered for the account of a person who is an insider or a significant shareholder of the issuer of the security which is the subject of the order; and
2. with respect to orders entered on TSX VE, the requirement under Rule 6.2 that an order contain a designation if the order is entered for a principal account or the account of a derivatives market maker.

### **Regulation ID Order Marker**

Effective **July 26, 2002**, all orders entered on the TSX or TSX VE must contain the “Regulation ID Order Marker”:

- “IA” if the order has been entered for the account of a person who is an insider of the issuer of the security that is the subject of the order; and
- “SS” if the order has been entered for the account of a person who is a significant shareholder of the issuer of the security that is the subject of the order.

For the purposes of the Regulation ID Order Marker, a person will be an insider of an issuer if the securities legislation of the jurisdiction in which the person resides or the securities legislation governing the marketplace on which the order is entered considers such person to be an insider of an issuer. A person will be a significant shareholder of an issuer if the person beneficially owns, directly or indirectly, individually or in combination with other persons, more than 20% of the voting securities of the issuer. If a person is both an “insider” and a “significant shareholder”, the significant shareholder designation should be used.

In completing the Regulation ID Order Marker field, a Participant may rely on the “know your client” information which the Participant has collected from the account holder provided such information is “current” in accordance with the periodic review and update of client information that has been conducted by the Participant. Similarly, when acting for an institutional client, a Participant will not be expected to inquire prior to accepting or executing an order whether the institutional client has become the holder of more than 10% of the securities of a particular issuer. However, if the Participant has actual knowledge that a client, including an institutional client, is an insider or significant shareholder of an issuer the Participant will be under an obligation to ensure the proper marking of any order by that client in securities of that issuer.

### **Additional Markers/Tag on TSX VE Orders**

Effective **July 26, 2002**, all orders entered on TSX VE must contain the designation:

- “IN” if the order is for a principal inventory account;
- “OT” if the order is for the account of a derivatives market maker; and

Also effective **July 26, 2002**, an order that has been entered on TSX VE as part of cross that is an internal cross should contain the optional tag that identifies the cross as an internal cross.

The additional designations and tag are the same as presently used for the same types of orders entered on the TSX. An “internal cross” is defined as an intentional cross between two client accounts of a Participant which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the clients and includes a trade where the Participant is acting as a portfolio manager in authorizing the trade between the two client accounts.

### **Order Inhibition During Regulatory Halts and Suspensions**

Rule 9.1 provides that no order for the purchase or sale of security be entered on a marketplace during the period of a regulatory halt or suspension. A regulatory halt or suspension is imposed by RS to ensure a fair and orderly market. The regulatory halt or suspension is applicable in all marketplaces that have adopted UMIR. A delay, halt or suspension imposed by a marketplace, including the TSX and TSX VE, is not governed by Rule 9.1 of UMIR and orders may be entered on any marketplace in accordance with the market quality rules of the marketplace on which the order is entered.

Staff of TSX and TSX Venture will institute an inhibition on order entry upon being notified of a regulatory halt or suspension by RS. Notwithstanding actions that may be undertaken by marketplaces, Participants are under an obligation not to enter orders on a marketplace during a regulatory halt or suspension.

If orders for a particular security have been entered or executed on a marketplace during a regulatory halt or suspension that affects that security, the marketplace will be required to cancel all such orders and trades prior to reopening trading in the particular security. When a regulatory halt or suspension is being lifted, RS will announce a time when orders may again be entered on a marketplace (and marketplaces will be able to go into a “pre-open” state with

respect to the effected security) together with a time at which marketplaces will again be able to execute trades in the effected security.

## **Questions**

Questions concerning this notice may be directed to:

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