

Market Integrity Notice

Guidance

October 29, 2007

No. 2007-022

Suggested Routing

- Trading
- Legal and Compliance

Key Topics

- Echworx™ Encrypted Message eXchange
- REGNET
- Short Position
- Short Position Reports

UMIR Provisions Referenced

- Rule 10.10 – Report of Short Positions

SHORT POSITION CALCULATION AND REPORTING

Summary

This Market Integrity Notice provides guidance on the requirements for the preparation and submission of Short Position Reports including the procedures for filing the reports electronically with the Toronto Stock Exchange for securities listed on the Toronto Stock Exchange and TSX Venture Exchange and with CNQ for securities listed on CNQ as a result of the discontinuance of REGNET and the introduction of Echworx™ Encrypted Message eXchange or EMX™ for secure electronic regulatory communications.

Effective November 1, 2007, this Market Integrity Notice repeals and replaces:

- **Market Integrity Notice 2003-011 – *Short Position Reports* (May 27, 2003);**
- **Market Integrity Notice 2003-016 - *Short Position Reports* (August 13, 2003);**
- **Market Integrity Notice 2004-029 - *Short Position Reports – Canadian Trading and Quotation System Inc.* (November 8, 2004); and**
- **Market Integrity Notice 2004-032 - *Submission of Short Position Reports to Canadian Trading and Quotation System Inc.* (December 14, 2004).**

Questions / Further Information

For further information or questions concerning this notice contact:

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Market Integrity Notices Referenced

- Market Integrity Notice 2003-011 – *Short Position Reports* (May 27, 2003)
- Market Integrity Notice 2003-016 - *Short Position Reports* (August 13, 2003)
- Market Integrity Notice 2004-029 - *Short Position Reports – Canadian Trading and Quotation System Inc.* (November 8, 2004)
- Market Integrity Notice 2004-032 - *Submission of Short Position Reports to Canadian Trading and Quotation System Inc.* (December 14, 2004)
- Market Integrity Notice 2007-017 – *Request for Comments – Provisions Respecting Short Sales and Failed Trades* (September 7, 2007)

Market Policy Notices Referenced

- Market Policy Notice 2007-006 – *General – New Requirements for Secure Electronic Regulatory Communications* (September 26, 2007)
- Market Policy Notice 2007-007 – *General – Extension of Time to Comply with New Requirements for Secure electronic Regulatory Communications* (October 22, 2007)

SHORT POSITION CALCULATION AND REPORTING

Summary

This Market Integrity Notice provides guidance on the requirements under the Universal Market Integrity Rules (“UMIR”) for the preparation and submission of Short Position Reports including the procedures for filing the reports electronically with the Toronto Stock Exchange (“TSX”) for securities listed on the TSX and TSX Venture Exchange (“TSXV”) and with Canadian Quotation and Trade Reporting System (“CNQ”) for securities listed on CNQ as a result of the discontinuance of REGNET and the introduction of Echoworx™ Encrypted Message eXchange or EMX™ for secure electronic regulatory communications.

Effective November 1, 2007, this Market Integrity Notice repeals and replaces:

- **Market Integrity Notice 2003-011 – *Short Position Reports (May 27, 2003);***
- **Market Integrity Notice 2003-016 - *Short Position Reports (August 13, 2003);***
- **Market Integrity Notice 2004-029 - *Short Position Reports – Canadian Trading and Quotation System Inc. (November 8, 2004); and***
- **Market Integrity Notice 2004-032 - *Submission of Short Position Reports to Canadian Trading and Quotation System Inc. (December 14, 2004).***

Requirement to Report Short Positions

Rule 10.10 of the Universal Market Integrity Rules requires that each Participant and Access Person report their short positions in listed securities or quoted securities as of the 15th day and the last day of each month. An Access Person is not required to file if the short position is in an account maintained by a Participant.

While the Short Position Report is required by RS under UMIR, all Short Position Reports must, within two trading days following the date on which the calculation is to be made, file a Short Position Report with:

- the TSX for securities listed on the TSX and TSXV; and
- CNQ for securities listed on CNQ.

Each Participant must provide a Short Position Report for securities listed on an Exchange whether or not that Participant is a member of that particular Exchange. Securities which presently trade on the “Pure Trading” facility of CNQ are TSX-listed securities and any short position should be reported to the TSX rather than CNQ.

In the future, if another marketplace is recognized as an “Exchange” or a “QTRS” and RS is retained to act as their regulation services provider, RS will issue a Market Integrity Notice to provide guidance on the filing of Short Position Reports for listed or quoted securities on that marketplace.

Participants and Access Persons are reminded that RS has proposed amendments to repeal the requirements to file Short Position Reports.¹ Until such proposed amendments are approved by the securities regulatory authorities in Alberta, British Columbia, Manitoba, Ontario and Québec and are implemented by RS, each Participant and Access Person must continue to prepare and file Short Position Reports as required under Rule 10.10.

Calculation of Short Positions

Short positions should be determined in the same way regardless on which marketplace the security is listed or quoted. Short positions are to be reported using the trading date, not the settlement date. When calculating the short position, the Participant should not include odd-lot short positions.

Each Participant must report the aggregate short position of each separate account in respect of each listed security and quoted security. A Participant is not entitled to net short positions from more than one account even if the accounts are the property of the same beneficial owner. The Short Position Report must be calculated from each account separately. The Participant shall report an aggregate short position for each listed or quoted security based on the aggregate short positions in each account.

Participants are further reminded that a short position in a listed security or quoted security which is covered by the holding of a convertible or exchangeable security is nonetheless considered a short position that must be reported until such time as the convertible or exchangeable security has been tendered or the account holder has issued irrevocable instructions to convert or exchange the security. *Participants with accounts holding a short position in a security are urged to review the accounts to ensure that the short position has been properly reported.*

Method of Compliance

Requirement to Use EMX for Secure Electronic Regulatory Communications

As outlined in Market Policy Notice 2007-007 – *General – Extension of Time to Comply with New Requirements for Secure Electronic Regulatory Communications* (October 22, 2007) the operation of REGNET will be discontinued on November 30, 2007. RS will require the use of EMX for secure electronic regulatory communications (including the filing of Short Position Reports) effective December 1, 2007. During the period November 1, 2007 to November 30, 2007, either REGNET or EMX may be used.

For more details on EMX and the mandatory use of EMX for the exchange of regulatory information with RS, reference should be made to Market Policy Notice 2007-006 – *General – New Requirements for Secure Electronic Regulatory Communications* (September 26, 2007) **Participants are reminded that each Participant must be registered with RS for the use of**

¹ For a description of the proposed amendments to UMIR regarding short position reporting, reference should be made to Market Integrity Notice 2007-017 – *Request for Comments – Provisions Respecting Short Sales and Failed Trades* (September 7, 2007)

EMX and each Participant must submit a completed “EMX Registration Information Form” (in the form attached to Market Policy Notice 2007-007) to RS no later than Thursday, November 15, 2007.

If an Access Person (being a subscriber to an alternative trading system or ATS), needs to file a Short Position Report with either the TSX or CNQ, the Access Person should contact RS regarding registration to use EMX.

Short Position Reports for TSX and TSXV-listed Securities

For the Short Position Reports for October 31, 2007 and November 15, 2007 to be filed with TSX in respect of listed securities on TSX and TSXV, a Participant may, at its option, file using:

- the current procedure as outlined in Market Integrity Notice 2003-011 – *Short Position Reports* (May 27, 2003) and Market Integrity Notice 2003-016 - *Short Position Reports* (August 13, 2003); or
- EMX (by selecting “TSX/TSXV Shortposition” from the drop-down menu under “Contacts”).

For the Short Position Reports for November 30, 2007 and all future reports, the Participant must file the Short Position Report with the TSX using EMX.

The requirements of the TSX with respect to the format of the Short Position Report will not change with the introduction of EMX. Any questions regarding the acceptable format for a Short Position Report to be filed with the TSX should be directed to Catherine McGravey, Production Manager, TSXDatalinx at 416.947.4655 or catherine.mcgravey@tsxdatalinx.com.

Short Position Reports for CNQ-listed Securities

Each Participant must report their short positions in CNQ-listed securities using the formatted spreadsheet that CNQ will provide by e-mail to the Participant on the 15th and last day of each month. If the 15th or last day of a month is not a trading day, the spreadsheet will be sent on the next trading day.

Each Participant must identify themselves in the designated fields at the top of the completed spreadsheet by providing: their name; their clearing number, if applicable; the date the report was completed; and the name of the employee of the Participant that completed the report. If the Participant does not have a short position in a CNQ-listed security a zero should be entered rather than the word “Nil”.

For the Short Position Reports for October 31, 2007 and November 15, 2007 to be filed with CNQ, a Participant may, at its option, file using:

- the current procedure as outlined in Market Integrity Notice 2004-029 - *Short Position Reports – Canadian Trading and Quotation System Inc.* (November 8, 2004) and Market Integrity Notice 2004-032 - *Submission of Short Position Reports to Canadian Trading and Quotation System Inc.* (December 14, 2004); or

- EMX (by selecting “CNQ Shortposition” from the drop-down menu under “Contacts”).

For the Short Position Reports for November 30, 2007 and all future reports, the Participant must file the Short Position Report with CNQ using EMX.

Failure to Report

A Participant who fails to file a Short Position Report with the TSX or CNQ in accordance with the procedure outlined in this Market Integrity Notice or who reports an incorrect short position will be in violation of Rule 10.10. If a Participant is unable to file a Short Position Report for any reason, the Participant must contact RS staff (Sandra Stefanescu, 416.646.7253 or sandra.stefanescu@rs.ca).

Questions / Further Information

For further information or questions concerning this notice contact:

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VICE PRESIDENT, MARKET POLICY AND GENERAL COUNSEL