



Appendix E – Impact Assessment

As outlined in this Notice, the objective of the Proposed Amendments is to ensure IIROC requirements provide an appropriate framework for the regulation of derivatives trading on an exchange.

An important consideration in developing the Proposed Amendments was that all rule amendments pursued should, where possible and appropriate, result in the consistent regulation of trading in listed securities and trading in listed derivatives.

Impact Assessment

In the table below we have listed the major policy elements of the Proposed Amendments, along with a description of the intended policy benefits of each element and an assessment of its impact on investors, Participants, Marketplaces and IIROC itself. The Proposed Amendments will not have any impact on Dealer Members that would not trade on a derivatives exchange for which IIROC is the RSP, including those that currently trade on the Montreal Exchange. In summary, we have assessed that the approval of the Proposed Amendments will result in:

- generally net positive impacts on investors
- minor negative impacts on Participants resulting from the requirements on: designations and identifiers, maintaining an audit trail, trading supervision, gatekeeper reports, the new position limits for listed derivatives, the new reporting limits for listed derivatives and complying with regulatory requirements
- neutral to positive impacts on Participants and Marketplaces resulting from the introduction of general defined terms relating to derivatives, the extension of abusive trading and frontrunning prohibition to derivatives, the extension of the powers of market integrity officials, the extension of existing general exemptive relief to derivatives and the extension of existing prescriptive powers to derivatives
- generally net positive impacts on IIROC with the exception of trading supervision obligations where IIROC would need to enhance its compliance operations and modules in order to properly assess whether Participants have adequate supervisory systems over listed derivatives trading activities. IIROC would also need to enhance its surveillance system to ensure effective oversight of a derivatives exchange for which it is the RSP.



We note that any costs to Participants that stem from the Proposed Amendments would only arise if such Participants choose to trade listed derivatives on an exchange for which IIROC acts as an RSP; they would not be borne generally by the market as a whole.¹

The dollar magnitude of the collective impacts of the Proposed Amendments is not known and cannot be determined without detailed stakeholder feedback.

Question # 7

Have we identified all of the proposed provisions that will materially impact investors, Participants, Marketplaces or IIROC? If not, please list any other proposed provisions that you believe will materially impact one or more parties and why.

Question # 8

Overall, do you agree with IIROC's qualitative assessment that the benefits of the Proposed Amendments are proportionate to their costs? Please provide reasons for your stance.

¹ Where appropriate, we may propose a new fee model for Marketplace Members based on the trading activity in listed derivatives on a new derivatives exchange.



Description of proposed amendment	Related intended benefits	Impact on investors	Impact on Participants/Marketplaces	Impact on IIROC
<i>Introduction of general defined terms relating to derivatives (i.e. derivative and listed derivative) and extension of current definitions to derivatives</i>	Facilitates objective of clearly specifying which of the core UMIR obligations apply to listed securities and listed derivatives. Also facilitates a consistent and practical approach to the regulation of securities and derivatives trading.	<i>Neutral</i> - Investors may be generally unfamiliar with the definitions used within UMIR as they apply to Participants. As a result, the introduction of new definitions in UMIR may have little to no direct impact on investors.	<i>Neutral to net positive</i> - While there will be some required revisions to Participants' policies and procedures, we believe that firms will also benefit considerably from having to comply with one set of trading rules that apply to both listed securities and listed derivatives. As opposed to having a separate set of rules that only apply to listed derivative trading, this change is likely to reduce compliance costs and make our rules easier to understand and follow.	<i>Neutral to net positive</i> - The use of clearly defined terms in our rules will facilitate supervision on all levels from surveillance to trading desk reviews.
<i>Extension of prohibitions on abusive trading and frontrunning to derivatives</i>	Facilitates consistent regulation of all securities-related and derivatives-related trading activities and ensures that the integrity of trading is maintained through fair and equitable rules.	<i>Net positive</i> - These changes are net positive to investors as the provisions are intended to enhance market integrity and designed to detect and deter manipulative and deceptive activities as well as cross-asset frontrunning.	<i>Neutral to net positive</i> - While Participants may need to revise their policies and procedures to address trading of listed derivatives on an exchange for which IIROC is the RSP, we believe that Participants will also benefit from having clear rules on abusive trading activities that would apply in both listed securities and derivatives. Derivatives exchanges that retain IIROC as their RSP will	<i>Net positive</i> - These changes will provide a clear set of rules prohibiting abusive derivatives trading activities. As the Market Regulator, IIROC will be in a better position to conduct effective listed derivatives market oversight.



Description of proposed amendment	Related intended benefits	Impact on investors	Impact on Participants/Marketplaces	Impact on IIROC
			also benefit from clear rules on abusive trading activities which will enhance investor confidence in their platforms.	
<i>Designation and Identifiers and Audit Trail Requirements</i>	Facilitates IIROC's oversight of listed derivatives trading (surveillance, investigations and/or other reviews) by requiring Participants to provide trade details that would be necessary to effectively monitor and review trading.	<i>Minor negative to neutral</i> - While certain clients may need to use LEIs as an identifier when trading in listed derivatives, a number of these clients would likely already have LEIs if they trade in listed securities or OTC derivatives in Canada or in other jurisdictions such as Europe that have mandated the use of LEIs.	<i>Minor negative to neutral</i> - Participants would need to provide the same level of information when trading in listed derivatives as listed securities.	<i>Net positive</i> – IIROC's surveillance, trade review and analysis, and investigation teams will greatly benefit from having the same level of transparency when reviewing trading in both listed derivatives and listed securities. For example, access to trade details could inform IIROC's decision-making during regulatory interventions.
<i>Trading Supervision Obligations, the need to file gatekeeper reports, and to comply with regulatory requirements</i>	Facilitates the provision of an appropriate framework for the regulation of listed derivatives trading by requiring Participants to establish supervisory systems to oversee their trading activities in listed derivatives.	<i>Net positive</i> – Requiring Participants to have adequate supervisory systems, including policies, procedures and controls to ensure compliance with regulatory requirements would protect investors and boost confidence in the marketplace.	<i>Minor negative to neutral</i> – Participants that currently trade in listed securities or listed derivatives will need to review and modify their current compliance policies, procedures and controls as required under the Proposed Amendments. However, these changes will only impact those firms who decide to become Participants of a derivatives	<i>Minor negative to neutral</i> - IIROC already examines Participants for compliance with the applicable UMIR requirements for securities trading. However, IIROC would need to enhance its compliance operations and modules in order to properly assess whether Participants have adequate supervisory systems including policies, procedures and controls over



Description of proposed amendment	Related intended benefits	Impact on investors	Impact on Participants/Marketplaces	Impact on IIROC
			exchange that retains IIROC as its RSP.	listed derivatives trading activities.
<i>New requirements regarding position limits for listed derivatives and reporting limits for listed derivatives</i>	Provides additional confidence in the integrity of the market and assist in ensuring orderly trading. The position and reporting limits requirements are complementary and together aim to prevent potential adverse market impact and support orderly trading by improving transparency and helping the Market Regulator ensure effective oversight of derivative markets.	<i>Neutral to net positive</i> - Clients will be subject to position limits to ensure no one is exerting undue control over a specific derivative contract or its underlier. This restriction is compensated by the greater benefit of limiting potential adverse market impact such as disruption of the underlying market (e.g. the accumulation of large positions that could lead to disorderly price discovery or even market manipulation).	<i>Minor negative to neutral</i> - Participants will need to develop policies, procedures and trading supervisory systems to ensure that they adhere to position limits and file reports to IIROC as applicable. However, these changes will only impact those firms who decide to become Participants of a derivatives exchange that retains IIROC as its RSP. Under the Proposed Amendments, a derivatives exchange that retains IIROC as its RSP will have the ability to set its own limits after having considered the characteristics of its products and IIROC will have the ability to intervene and modify the limit if necessary to maintain fair and orderly markets.	<i>Net positive</i> - As the RSP for a derivatives exchange, IIROC would benefit from these tools and be in a better position to conduct effective market surveillance as they would provide much needed information relating to price movements and concentration of positions.
<i>Extension of the powers of market integrity officials, including the ability to:</i> • vary or cancel trades	Enables the Market Regulator to intervene in the event of an emergency or other circumstance	<i>Net positive</i> - These changes are a net positive to investors as the provisions are intended to ensure the	<i>Net positive</i> - These changes are a net positive for Participants and derivatives exchanges that retain IIROC	<i>Net positive</i> - Marketplaces that trade listed derivatives generally have powers that enable the regulator to



Description of proposed amendment	Related intended benefits	Impact on investors	Impact on Participants/Marketplaces	Impact on IIROC
<ul style="list-style-type: none"> <i>halt, suspend and delay trading in listed derivatives</i> 	where market integrity is at risk.	Market Regulator has the necessary powers to intervene and preserve market integrity.	as their RSP as these powers will assist the Market Regulator in maintaining fair and orderly markets in the event of an emergency or other circumstance where market integrity is at risk.	intervene in the event of an emergency or other circumstance where market integrity is at risk. As an RSP for a derivatives exchange, IIROC will benefit from these powers which will be part of its core function to maintain fair and orderly markets.
<i>Extension of existing general exemptive relief to derivatives</i>	Enables the Market Regulator to provide specific exemptions with respect to individual transactions on a limited basis.	<i>Net positive</i> - Investors would benefit from the Market Regulator having the power to grant exemptive relief, as they may be the client of the particular transaction at issue.	<i>Net positive</i> - Participants would be able to seek an exemption for a specific transaction from the operation of a UMIR provision.	<i>Net positive</i> - IIROC would have the ability to grant exemptions in specific transactions as warranted when they are determined to be the public interest and not contrary to securities laws. This ability would help assist IIROC in maintaining a fair and orderly market.
<i>Extension of existing prescriptive powers to derivatives</i>	Enables the Market Regulator to amend a provision of UMIR as necessary.	<i>Net positive</i> - Investors would benefit from having a set of rules that can be changed in order to address issues that arise in terms of protecting investors or ensuring market integrity.	<i>Net positive</i> - Rather than be bound by a set of static rules that cannot be changed, Participants would benefit from having a set of rules that are appropriate for existing market conditions and trading landscape.	<i>Net positive</i> - Provides the Market Regulator with the ability to act effectively to protect the needs of investors and ensure market integrity in the face of changes in market structure or trading landscape.