



Appendix A – Text of UMIR Amendments

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by:

(a) adding the following definition of “direct electronic access”:

“direct electronic access” means an arrangement between a Participant that is a member, user or subscriber and a client that permits the client to electronically transmit an order relating to a security containing the identifier of the Participant:

(a) through the systems of the Participant for automatic onward transmission to a marketplace; or

(b) directly to a marketplace without being electronically transmitted through the systems of the Participant.

(b) adding the following definition of “foreign dealer equivalent”:

“foreign dealer equivalent” means a person in the business of trading securities in a foreign jurisdiction in a manner analogous to an investment dealer and that is subject to the regulatory jurisdiction of a signatory to the International Organization of Securities Commissions’ Multilateral Memorandum of Understanding in that foreign jurisdiction.

(c) adding the following definition of “order execution service”:

“order execution service” means a service that meets the requirements, from time to time, under Dealer Member Rule 3200 – *Minimum Requirements for Dealer Members Seeking Approval under Rule 1300.1(t) to Offer an Order-Execution Only Service*.

(d) adding the following definition of “routing arrangement”:

“routing arrangement” means an arrangement under which a Participant that is a member, user or subscriber permits an investment dealer or a foreign dealer equivalent to electronically transmit an order relating to a security containing the identifier of the Participant:

(a) through the systems of the Participant for automatic onward transmission to a marketplace; or

(b) directly to a marketplace without being electronically transmitted through the systems of the Participant.



2. Rule 6.1 is amended by:
- (a) renumbering subsection (3) as added effective April 13, 2012 as subsection (6); and
 - (b) inserting the following subsections:
 - (7) A Participant shall not enter an order on a marketplace or permit an order to be transmitted to a marketplace containing the identifier of the Participant unless the order has been:
 - (a) received, processed and entered on the marketplace by an employee of the Participant who is registered in accordance with applicable securities legislation to perform such functions; or
 - (b) has been entered on a marketplace or transmitted to a marketplace through:
 - (i) direct electronic access,
 - (ii) a routing arrangement, or
 - (iii) an order execution service.
 - (8) An Access Person shall not enter an order on a marketplace or permit an order to be transmitted to a marketplace containing the identifier of the Access Person unless the order is:
 - (a) for the account of the Access Person and not for any other person; or
 - (b) entered by an Access Person who is registered or exempted from registration as an adviser in accordance with applicable securities legislation and the order is for or on behalf of a client of the Access Person acting in the capacity of adviser for that client and not for any other person.
 - (9) A marketplace shall not allow an order to be entered on the marketplace unless:
 - (a) the order:
 - (i) has been entered by or transmitted through a Participant or Access Person who has access to trading on that marketplace, and



- (ii) contains the identifier of the Participant or Access Person as assigned in accordance with Rule 10.15; or
 - (b) the order has been generated automatically by the marketplace on behalf of a person who has Marketplace Trading Obligations in order for that person to meet their Marketplace Trading Obligations.
- 3. Clause (a) of subsection (1) of Rule 6.2 is amended by:
 - (a) deleting the word “and” at the end of sub-clause (ii);
 - (b) deleting the phrase “; and” at the end of sub-clause (iii);
 - (c) inserting following sub-clauses:
 - (iv) the client for or on behalf of whom the order is entered under direct electronic access, and
 - (v) the investment dealer or foreign dealer equivalent for or on behalf of whom the order is entered under a routing arrangement; and
- 4. Part 7 is amended by adding the following as Rule 7.13:

7.13 Direct Electronic Access and Routing Arrangements

- (1) A Participant that is a member, user or subscriber may:
 - (a) grant direct electronic access or enter into a routing arrangement provided the Participant has:
 - (i) established standards that are reasonably designed to manage, in accordance with prudent business practices, the Participant’s risks associated with providing direct electronic access to a client or implementing a routing arrangement with an investment dealer or foreign dealer equivalent,
 - (ii) assessed and documented that the client, investment dealer or foreign dealer equivalent meets the standards established by the Participant, and
 - (iii) executed a written agreement with the client, investment dealer or foreign dealer equivalent; and



- (b) not grant direct electronic access if the client is acting and registered as a dealer in accordance with applicable securities legislation.

- (2) The standards established by the Participant under subsection (1) must include a requirement that the client, investment dealer or foreign dealer equivalent:
 - (a) has sufficient resources to meet any financial obligations that may result from use of direct electronic access or the routing arrangement;
 - (b) has reasonable arrangements in place to ensure that all personnel transmitting orders using direct electronic access or the routing arrangement have reasonable knowledge of and proficiency in the use of the order entry system;
 - (c) has reasonable knowledge of and the ability to comply with all applicable Requirements, including the marking of each order with the designations and identifiers required by Rule 6.2;
 - (d) has reasonable arrangements in place to monitor the entry of orders transmitted using direct electronic access or the routing arrangement;
 - (e) takes all reasonable steps to ensure that the use of automated order systems, by itself or any client, does not interfere with fair and orderly markets; and
 - (f) ensures that each automated order system, used by itself or any client, is tested in accordance with prudent business practices, including initially before use or introduction of a significant modification and at least annually thereafter.

- (3) The written agreement entered into by a Participant under subsection (1) with the client, investment dealer or foreign dealer equivalent must provide that:
 - (a) in the case of an agreement for direct electronic access or a routing arrangement:



- (i) the trading activity of the client, investment dealer or foreign dealer equivalent will comply with:
 - (A) all Requirements, and
 - (B) the product limits or credit or other financial limits specified by the Participant;
- (ii) the client, investment dealer or foreign dealer equivalent will maintain all technology facilitating direct electronic access or a routing arrangement in a secure manner and will not permit any person to transmit an order using the direct electronic access or the routing arrangement other than the personnel authorized by the client and named under the provision of the agreement referred to in sub-clause (b)(i), or personnel authorized by the investment dealer or foreign dealer equivalent;
- (iii) the client, investment dealer or foreign dealer equivalent will fully co-operate with the Participant in connection with any investigation or proceeding by any marketplace or the Market Regulator with respect to trading conducted pursuant to direct electronic access or a routing arrangement, including upon request by the Participant, providing access to information to the marketplace or Market Regulator that is necessary for the purposes of the investigation or proceeding;
- (iv) the Participant is authorized, without prior notice, to:
 - (A) reject any order,
 - (B) vary or correct any order entered on a marketplace to comply with Requirements,
 - (C) cancel any order entered on a marketplace, or
 - (D) discontinue accepting orders,from the client, investment dealer or foreign dealer equivalent;



- (v) the client, investment dealer or foreign dealer equivalent will immediately inform the Participant if the client, investment dealer or foreign dealer equivalent fails or expects not to meet the standards set by the Participant; and
- (b) in the case of an agreement for direct electronic access:
 - (i) the client will immediately notify the Participant in writing of:
 - (A) the names of the personnel of the client authorized by the client to enter an order using direct electronic access, and
 - (B) details of any change to the information in sub-clause (A);
 - (ii) the client may not trade for the account of any other person unless the client is:
 - (A) registered or exempted from registration as an adviser under securities legislation, or
 - (B) a person conducting business in a foreign jurisdiction in a manner analogous to an adviser and that is subject to the regulatory jurisdiction of a signatory to the International Organization of Securities Commissions' Multilateral Memorandum of Understanding in that foreign jurisdictionand the order is for or on behalf of a person who is itself a client of the client acting in the capacity of adviser for that person;
 - (iii) if the client trades for the account of any other person in accordance with sub-clause (ii), the client must:
 - (A) ensure that the orders for the other person are transmitted through the systems of the client before being entered on a marketplace, and



- (B) ensure that the orders for the other person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client;
 - (iv) the Participant shall provide to the client, in a timely manner, any relevant amendments or changes to:
 - (A) applicable Requirements, and
 - (B) the standards established by the Participant under subsection (1); and
 - (c) in the case of a routing arrangement agreement, the investment dealer or foreign dealer equivalent will not allow any order entered electronically by a client of the investment dealer or foreign dealer equivalent to be entered directly to a marketplace without being electronically transmitted through the systems of the Participant or the system of the investment dealer or foreign dealer equivalent.
- (4) A Participant must not allow any order to be transmitted using direct electronic access or through a routing arrangement unless:
 - (a) the Participant is:
 - (i) maintaining and applying the standards established by the Participant under subsection (1),
 - (ii) satisfied the client, investment dealer or foreign dealer equivalent meets the standards established by the Participant under subsection (1), and
 - (iii) satisfied the client, investment dealer or foreign dealer equivalent is in compliance with the written agreement entered into with the Participant; and
 - (b) the order is subject to the risk management and supervisory controls, policies and procedures established by the Participant including the automated controls to examine each order before entry on a marketplace.
- (5) The Participant shall:



- (a) at least annually review and confirm that:
 - (i) the standards established by the Participant under subsection (1) are adequate, and
 - (ii) the Participant has maintained and consistently applied the standards in the period since the establishment of the standards or the date of the last annual review; and
- (b) at least annually by the anniversary date of the written agreement assess, confirm and document that the client, investment dealer or foreign dealer equivalent:
 - (i) is in compliance with the written agreement with the Participant, and
 - (ii) has met the standards established by the Participant under subsection (1) since the date of the written agreement or the date of the last annual review.
- (6) A Participant shall forthwith notify the Market Regulator:
 - (a) upon entering into a written agreement respecting direct electronic access or a routing arrangement, of the name of the client, investment dealer or foreign dealer equivalent; and
 - (b) of any change in the information described in clause (a).

5. Rule 10.15 is amended by:

- (a) deleting subsection (1) and substituting the following:
 - (1) The Market Regulator shall assign a unique identifier to:
 - (a) a marketplace for trading purposes upon the Market Regulator being retained as the regulation services provider for the marketplace,
 - (b) an investment dealer, other than a Participant, or a foreign dealer equivalent upon the Market Regulator being notified that a Participant has entered into a written agreement with the



investment dealer or foreign dealer equivalent respecting a routing arrangement; and

- (c) a client upon the Market Regulator being notified that a Participant has entered into a written agreement with the client respecting direct electronic access.

(b) adding the words “or Access Person” in subsection (2) as follows:

- (2) A marketplace, upon granting access to the trading system of the marketplace to a Participant or Access Person, shall assign a unique identifier to the Participant or Access Person for trading purposes.

6. Part 10 is amended by adding the following as Rule 10.18:

10.18 Gatekeeper Obligations with Respect to Access to Marketplaces

- (1) A marketplace that has provided access to a Participant or Access Person shall forthwith report to the Market Regulator the fact that the marketplace:
 - (a) has terminated the access of the Participant or Access Person to the marketplace; or
 - (b) knows or has reason to believe that the Participant or Access Person has or may have breached a material provision of any Marketplace Rule or agreement pursuant to which the Participant or Access Person was granted access to the marketplace.
- (2) A Participant that has provided access to a marketplace pursuant to direct electronic access or through a routing arrangement shall forthwith report to the Market Regulator the fact that the Participant:
 - (a) has terminated the access of the client under the arrangement for direct electronic access or of the investment dealer or foreign dealer equivalent through a routing arrangement; or
 - (b) knows or has reason to believe that the client, investment dealer or foreign dealer equivalent has or may have breached a material provision of:



- (i) any standard established by the Participant for the granting of direct electronic access or a routing arrangement, or
- (ii) the written agreement between the Participant and the client regarding the direct electronic access, or the investment dealer or foreign dealer equivalent regarding a routing arrangement.

The Policies to the Universal Market Integrity Rules are hereby amended as follows:

1. Part 1 of Policy 7.1 is amended by:
 - (a) replacing the phrase “without the involvement of a trader” with “by direct electronic access, under a routing arrangement or through an order execution service”;
 - (b) replacing the phrase “entered directly by clients” with “entered by a client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or a client through an order execution service”;
 - and
 - (c) deleting each occurrence of the phrase “direct access client” and substituting “client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or a client through an order execution service”.
2. Part 2 of Policy 7.1 is amended by:
 - (a) amending the word “Element” in the title of Part 2 to “Elements”; and
 - (b) inserting before the phrase “must comply” the phrase “(including orders entered by a client under direct electronic access, an investment dealer or foreign dealer equivalent under a routing arrangement or by a client through an order execution service)”.
3. Policy 7.1 is further amended by adding the following Parts:

Part 9 - Specific Provisions Applicable to Direct Electronic Access and Routing Arrangements



Standards for Clients, Investment Dealers and Foreign Dealer Equivalents

In addition to the trading supervision requirements in Parts 1, 2, 3, 5, 7 and 8, a Participant that provides direct electronic access or implements a routing arrangement must establish, maintain and apply reasonable standards for granting direct electronic access or a routing arrangement and assess and document whether each client, investment dealer or foreign dealer equivalent meets the standards established by the Participant for direct electronic access or a routing arrangement. The Market Regulator expects that as part of its initial “screening” process, non-institutional investors will be precluded from qualifying for direct electronic access except in exceptional circumstances generally limited to sophisticated former traders and floor brokers or a person or company having assets under administration with a value approaching that of an institutional investor that has access to and knowledge regarding the necessary technology to use direct electronic access. The Participant offering direct electronic access or a routing arrangement must establish sufficiently stringent standards for each client granted direct electronic access or each investment dealer or foreign dealer equivalent under a routing arrangement to ensure that the Participant is not exposed to undue risk and in particular, in the case of a non-institutional client the standards must be set higher than for institutional investors.

The Participant is further required to confirm with the client granted direct electronic access or an investment dealer or foreign dealer equivalent in a routing arrangement, at least annually, that the client, investment dealer or foreign dealer equivalent continues to meet the standards established by the Participant including to ensure that any modification to a previously “approved” automated order system in use by a client, investment dealer or foreign dealer equivalent continues to maintain appropriate safeguards.

Breaches by Clients with Direct Electronic Access or by Investment Dealers or Foreign Dealer Equivalents in a Routing Arrangement

A Participant that has granted direct electronic access to a client or entered into a routing arrangement with an investment dealer or foreign dealer equivalent must further monitor orders entered by the client, investment dealer or foreign dealer equivalent to identify whether the client, investment dealer or foreign dealer equivalent may have:

- breached any standard established by the Participant for the granting of direct electronic access or a routing arrangement;



- breached the terms of the written agreement regarding the direct electronic access or the routing arrangement;
- improperly granted or provided its access under direct electronic access or a routing arrangement to another person;
- engaged in unauthorized trading on behalf of the account of another person; or
- failed to ensure that its client's orders are transmitted through the systems of the client, or Participant, investment dealer or foreign dealer equivalent (which include proprietary systems or systems that are provided by a third party) before being entered on a marketplace.

Identifying Originating Investment Dealer or Foreign Dealer Equivalent

In relation to the assignment of a unique identifier to an investment dealer or foreign dealer equivalent in a routing arrangement, if orders are routed through multiple investment dealers or foreign dealer equivalents, the executing Participant is responsible for properly identifying the originating investment dealer or foreign dealer equivalent and must establish and maintain adequate policies and procedures to assure that orders routed by an investment dealer or foreign dealer equivalent to the executing Participant containing the Participant's identifier are also marked with all identifiers and designations relevant to the order as required under Rule 6.2 of UMIR on the entry of the order to a marketplace.

Identifying Clients with Direct Electronic Access

In relation to the assignment of a unique identifier to a client that is granted direct electronic access, the Participant must establish and maintain adequate policies and procedures to assure that orders routed by the client to the executing Participant containing the Participant's identifier are marked with all identifiers and designations relevant to the order as required under Rule 6.2 of UMIR on the entry of the order to a marketplace.