



**Attachment C**  
**Comments Received in Response to**  
**IIROC Notice 16-0123 – Rules Notice - Request For Comments – UMIR**  
***Proposed Provisions Respecting Designations and Identifiers***

On June 9, 2016, IIROC issued Notice 16-0123 requesting comments on Proposed Provisions Respecting Designations and Identifiers (“Proposed Amendments”). IIROC received comments on the Proposed Amendments from:

BMO Nesbitt Burns Inc. (“BMO”)

GMP Securities L.P. (“GMP”)

TD Securities, Inc. (“TD”)

TMX Group Limited (“TMX”)

A copy of the comment letters received in response to the Proposed Guidance is publicly available on IIROC’s website ([www.iiroc.ca](http://www.iiroc.ca)). The following table presents a summary of the comments received on the Proposed Amendments together with IIROC’s responses to those comments.

| Text of Final Rule (Revisions to the Proposed Amendments Highlighted)  | Commentator and Summary of Comment   | IIROC Response to Commentator and Additional IIROC Commentary  |
|--|--|--|
| <b>UMIR 1.1</b><br><br><b>“bundled order”</b> means an order that includes a client order as well as a non-client order or principal order, or both. | <b>BMO</b> – Supports a new “bundled” order type where client orders are bundled with principal orders.  | We acknowledge the comment.  |
|  | <b>BMO</b> – Suggests use of bundled order to be restricted to situations where a client order is involved. Principal and non-client orders should not be bundled with each other to preserve the audit trail associated with these non-client orders. | We acknowledge the comment. The bundled order designation definition requires that part of the order is attributed to a client order, which can be combined with a principal or non-client order, or both. A mix of non-client and inventory orders does not meet the definition of a bundled order. |
|  | <b>GMP</b> – Suggests a bundled order flag as an alternative to the bundled order designation.   | Introducing the bundled order as a flag rather than an account type would not achieve the regulatory objective of restoring integrity to the audit trail and preventing the over-use of certain account types such as inventory and non-client.  |



| Text of Final Rule (Revisions to the Proposed)  | Commentator and Summary of Comment  | IIROC Response to Commentator and  |
|---|---|--|
| <p><b>“derivative-related cross”</b> means a prearranged trade resulting from an order entered on a marketplace by a Participant or Access Person for a particular security that is fully offset by a trade in a related <u>security that is a derivative instrument that involves little or no aggregate risk.</u></p> | <p><b>BMO</b> – Agrees with the objective of improving transparency around derivative-related crosses and having a more accurate representation of the true volume in a security. Suggests that all derivative-related crosses should be allowed to trade at a price outside the NBBO, similar to other specialty crosses such as basis trades or riskless basis crosses.</p>   | <p>Derivative-related crosses set the last sale price and, therefore, must be executed at or within the NBBO.</p>  |
|   | <p><b>BMO</b> – Believes ETF / basket switches should be included in the definition of derivative-related cross. ETFs are currently regulated as mutual funds under securities law and are not classified as derivatives, so would need to be specifically included in the definition. Suggests automatically tagging Must Be Filled (MBF) orders as derivative-related trades, because they are offset against expiring derivatives and involve no transfer of risk.</p>   | <p>As ETFs are mutual funds under securities law, ETF/basket switches would be outside the scope of transactions targeted by the derivative-related cross marker.</p> <p>MBF orders may not necessarily result in crosses, and therefore are not included in the transactions targeted by the derivative-related cross marker.</p> |
|   | <p><b>TD</b> – Strongly disagrees that derivative related trades are considered riskless. Definition of “derivative-related cross” should clarify that trades subject to this marker continue to involve a change in beneficial ownership and are exposed to risks other than small short-term changes in the price of the security.</p>  | <p>We have amended the definition of the derivative-related cross designation to remove references indicating that the trade is riskless or near riskless.</p>   |
|   | <p><b>TD</b> – With respect to promoting transparency and identifying block activity: Suggests publicly marking all intentional crosses, either at the trade level, or through the introduction of a trade reporting facility.</p>  | <p>Intentional crosses are required to be publicly displayed in a consolidated market display under UMIR 6.2(1)(b)(vii) and (6)(a).</p>  |
|   | <p><b>TD</b> – Expressed the view that the possibility of “tipping one’s hand” applies equally to derivative-related transactions and those that have directional risk. While the new marker eliminates the concern of tipping one’s hand with respect to derivative-related transactions, this would be exacerbated if buy-side firms were to enquire in response to trades specifically not marked as derivative-related. The buy-side participant would be armed with the information that a trade is directional and therefore their inquiry carries greater information content.</p> | <p>The derivative-related cross marker publicly designates a subset of intentional crosses that have no possibility for participation. When the buy-side inquires about a cross that is not marked derivative-related, tipping their hand may be warranted as there may be an opportunity to participate in the trade.</p>         |



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|  | <p><b>TD</b> – Rather than introducing a new marker, suggests expanding the use of existing “contingent” trade marker to capture derivative-related trades, which will simplify implementation for both dealers and marketplaces.</p> | <p>The use of the contingent marker is not required by UMIR and is marketplace specific. Its general purpose is to avoid cross interference on the marketplace. Marketplaces allow the use of the contingent marker for separate, unrelated securities as long as they are contingent transactions.</p> <p>Rather than introducing a contingent marker into UMIR, we believe there is benefit in capturing targeted transactions using the new derivative-related cross designation. The derivative-related cross designation is intended to be an informational and non-actionable marker with minimal implementation impact on dealers and marketplaces. The new derivative-related cross marker targets related securities as defined under UMIR 1.1 and will be a mandatory marker that is publicly displayed on a consolidated market display under UMIR 6.2.</p> |
| <p><b>6.2 Designations and Identifiers</b><br/> (1) Each order entered on a marketplace shall contain:<br/> ...<br/> (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:<br/> (i) a Call Market Order,<br/> (ii) an Opening Order,<br/> (iii) a Market-on-Close Order,<br/> (iv) a Special Terms Order,<br/> (v) a Volume-Weighted Average Price Order,<br/> (v.1) a Basis Order,<br/> (v.2) a Closing Price Order,<br/> (v.3) a bypass order,<br/> (v.4) a directed action order as defined in the Trading Rules,<br/> (vi) part of a Program Trade,<br/> (vii) part of an intentional cross or internal cross,<br/> <del>(viii)</del> <del>(vii.1)</del> a derivative-related cross,<br/> <del>(viii)</del> <del>(ix)</del> a short sale but not including an order which is designated as a “short-marking exempt order” in accordance with subclause 6.2(1)(b)(ix),<br/> <del>(ix)</del> <del>(x)</del> a short-marking exempt order,<br/> <del>(x)</del> <del>(xi)</del> a non-client order,<br/> <del>(xi)</del> <del>(xii)</del> a principal order,<br/> <del>(xii)</del> <del>(xiii)</del> a jitney order,<br/> <del>(xiii)</del> <del>(xiv)</del> for the account of a derivatives market maker,</p> |   |  |



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| <p><del>(xiv)</del> <del>(xv)</del> for the account of a person who is an insider of the issuer of the security which is the subject of the order,<br/> <del>(xv)</del> <del>(xvi)</del> for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, <del>or</del><br/> <del>(xvi)</del> <del>(xvii)</del> of a type for which the Market Regulator may from time to time require a specific or particular designation, <del>or</del><br/> <del>(xvii)</del> <del>(xviii)</del> a bundled order.</p>   |  |   |
| <p>...</p> <p>(6) Unless otherwise permitted or directed by the Market Regulator, a marketplace shall:</p> <p>(a) disclose for display in a consolidated market display any designation attached to an order that is required by sub-clause (i) to <del>(vii)</del> <del>(viii)</del> inclusive of clause (1)(b) <del>;</del> <u>but for a bypass order that is not part of a designated trade</u>, and</p> <p>(b) not disclose for display in a consolidated market display any designation attached to an order that is required by sub-clause <del>(viii)</del> <del>(ix)</del> to <del>(xvii)</del> <del>(xviii)</del> inclusive of clause (1)(b).</p> | <p><b>BMO</b> – With respect to bypass marker transparency: Supports the proposed changes as it will reduce information leakage associated with large orders.</p> <p><b>BMO</b> – With respect to bypass marker transparency: Not aware of any unintended consequences associated with making these changes.</p> <p><b>TMX</b> – With respect to bypass marker transparency: Believes this is a fairly straight forward change and do not see any unintended consequences.</p> | <p>We acknowledge the comments.</p>                           |