



Capital  
Markets

March 8, 2023

**Via email**

The Investment Industry Regulatory Organization of Canada  
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Dear Sirs/Mesdames,

**Re: Joint CSA and IIROC Staff Notice 23-329 Short Selling in Canada**

This comment letter is being submitted by RBC Dominion Securities Inc. on behalf of RBC Capital Markets (“RBC” or “we”). We appreciate the opportunity to comment on the Joint CSA and IIROC Staff Notice 23-329 Short Selling in Canada.

**Pre-Borrow Requirements**

The current regulatory framework around pre-borrowing in certain circumstances is sufficient. The framework prohibits manipulative and deceptive practices, including short selling without having a reasonable expectation to settle the resulting trades on settlement date. Pre-borrow requirements already exist within the framework allowing IIROC to designate a security as a “Pre-Borrow Security” or as a “Short Sale Ineligible Security” which allows for flexibility of trade decisions and normal operation of the

market until such time as events require the enactment of either the “Pre-Borrow Security” or “Short Sale Ineligible Security” designation for a security.

RBC recommends short sellers adopt the best practice of confirming that securities are available or are likely to be available to be borrowed in order to settle their short sale prior to executing the trade. Various channels currently exist for short sellers to confirm whether a security available to be borrowed prior to transacting in a short sale. RBC notes that many institutional investors already have set processes in place to confirm borrow availability prior to short selling. RBC also has internal processes in place for its Investment Advisors to confirm borrows prior to short selling for Wealth Management clients.

#### Public Transparency

RBC does not believe additional public transparency requirements in respect of short selling activities or to short positions are required. IIROC has surveillance alerts in place to detect changes in the historic patterns of short selling for a security, including concentration within particular dealers or clients. Reporting requirements already provide transparency of short positions to Regulators, who have the ability to intervene to vary or cancel prices, designate a security as a “Pre-Borrow” or Short Sale Ineligible” security or to impose a halt to trading to prevent manipulative or deceptive activity.

#### Additional Reporting Requirements

RBC believes current reporting requirements regarding short selling activities are adequate and provide effective oversight by regulatory authorities.

We believe the current framework provides regulatory authorities with sufficient means (including designating a security as a “Pre-Borrow Security” or as a “Short Sale Ineligible Security”) to address possible manipulative or deceptive activities that may lead to increased settlement issues with a security, including junior securities. Imposing separate requirements across a class of securities instead of focusing on those specific securities that display a change in their short selling pattern may have unintended negative consequences (e.g. increased costs, lower liquidity) across a broader range of securities in the market.

RBC appreciates the opportunity to provide comments.

Sincerely,

Andrew Thornhill  
Managing Director, Equity Finance and Prime Brokerage  
RBC Capital Markets