

# NATIONAL INSTRUMENT

## 23-101

### TRADING RULES

NOTICE

[DECISION \(Available in French only\)](#)

#### PART 1 DEFINITION AND INTERPRETATION

**1.1 Definition** - In this Instrument

“NI 21-101” means National Instrument 21-101 Marketplace Operation;

**1.2 Interpretation - NI 21-101** - Terms defined or interpreted in NI 21-101 and used in this Instrument have the respective meanings ascribed to them in NI 21-101.

#### PART 2 APPLICATION OF THIS INSTRUMENT

**2.1 Application of this Instrument** - A person or company is exempt from subsection 3.1(1) and Parts 4 and 5 of this Instrument if the person or company complies with the rules, policies and other similar instruments established by

- (a) a recognized exchange that monitors and enforces the requirements set under subsection 7.1(1) directly;
- (b) a recognized quotation and trade reporting system that monitors and enforces requirements set under subsection 7.3(1) directly; or
- (c) a regulation services provider.

#### PART 3 MANIPULATION AND FRAUD

**3.1 Manipulation and Fraud**

- (1) A person or company shall not, directly or indirectly, engage in, or participate in any transaction or series of transactions, or method of trading relating to a trade in or acquisition of a security or any act, practice or course of conduct, if the person or company knows, or ought reasonably to know, that the transaction or series of transactions, or method of trading or act, practice or course of conduct
  - (a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for, a security or a derivative of that security; or
  - (b) perpetrates a fraud on any person or company.

- (2) In Alberta, British Columbia and Saskatchewan, instead of subsection (1), the provisions of the *Securities Act* (Alberta), the *Securities Act* (British Columbia) and *The Securities Act, 1988* (Saskatchewan), respectively, relating to manipulation and fraud apply.

## **PART 4 BEST EXECUTION**

**4.1 Application of this Part** - This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of NI 21-101.

### **4.2 Best Execution**

- (1) A dealer acting as agent for a client shall make reasonable efforts to ensure that the client receives the best execution price on a purchase or sale of securities by the client.
- (2) Without limiting the generality of subsection (1), a dealer acting as agent for a client shall not execute a transaction on a marketplace that could be filled at a better price on another marketplace or with another dealer.
- (3) In order to satisfy the requirements in subsections (1) and (2), a dealer shall make reasonable efforts to use facilities providing information regarding orders.

## **PART 5 REGULATORY HALTS**

**5.1 Regulatory Halts** - If a regulation services provider, a recognized exchange, recognized quotation and trade reporting system or an exchange or quotation and trade reporting system that has been recognized for the purposes of this Instrument and NI 21-101 makes a decision to prohibit trading in a particular security, no person or company shall execute a trade for the purchase or sale of that security during the period in which the prohibition is in place.

## **PART 6 TRADING HOURS**

**6.1 Trading Hours** - Each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace participants.

## **PART 7 MONITORING AND ENFORCEMENT OF REQUIREMENTS SET BY A RECOGNIZED EXCHANGE AND A RECOGNIZED QUOTATION AND TRADE REPORTING SYSTEM**

### **7.1 Requirements for a Recognized Exchange**

- (1) A recognized exchange shall set requirements governing the conduct of its members, including requirements that the members will conduct trading activities in compliance with this Instrument.
- (2) A recognized exchange shall monitor the conduct of its members and enforce the requirements set under subsection (1), either
  - (a) directly, or

(b) indirectly through a regulation services provider.

**7.2 Agreement between a Recognized Exchange and a Regulation Services Provider** - A recognized exchange that monitors the conduct of its members indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider that provides

- (a) that the regulation services provider will monitor the conduct of the recognized exchange and its members;
- (b) that the regulation services provider will enforce the requirements set under subsection 7.1(1);
- (c) that the recognized exchange will transmit the information required by Part 11 of NI 21-101 to the regulation services provider; and
- (d) that the recognized exchange will comply with all orders or directions made by the regulation services provider.

**7.3 Requirements for a Recognized Quotation and Trade Reporting System**

- (1) A recognized quotation and trade reporting system shall set requirements governing the conduct of its users, including requirements that the users will conduct trading activities in compliance with this Instrument.
- (2) A recognized quotation and trade reporting system shall monitor the conduct of its users and enforce the requirements set under subsection (1) either
  - (a) directly; or
  - (b) indirectly through a regulation services provider.

**7.4 Agreement between a Recognized Quotation and Trade Reporting System and a Regulation Services Provider** - A recognized quotation and trade reporting system that monitors the conduct of its users indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider that provides

- (a) that the regulation services provider will monitor the conduct of the recognized quotation and trade reporting system and its users;
- (b) that the regulation services provider will enforce the requirements set under subsection 7.3(1);
- (c) that the recognized quotation and trade reporting system will transmit the information required by Part 11 of NI 21-101 to the regulation services provider; and
- (d) that the recognized quotation and trade reporting system will comply with all orders or directions made by the regulation services provider.

**7.5 Co-ordination of Monitoring and Enforcement** - A regulation services provider, recognized exchange, or recognized quotation and trade reporting system shall enter into a written agreement with all other regulation services providers, recognized exchanges, and recognized quotation and trade reporting systems to coordinate monitoring and enforcement of the requirements set under this Part.

## **PART 8**

### **MONITORING AND ENFORCEMENT REQUIREMENTS**

## FOR AN ATS

- 8.1 Pre-condition to Trading on an ATS** - An ATS shall not execute a subscriber's order to buy or sell securities unless the ATS has executed and is subject to the written agreements required by sections 8.3 and 8.4.
- 8.2 Requirements Set by a Regulation Services Provider for an ATS**
- (1) A regulation services provider shall set requirements governing an ATS and its subscribers, including requirements that the ATS and its subscribers will conduct trading activities in compliance with this Instrument.
  - (2) A regulation services provider shall monitor the conduct of an ATS and its subscribers and shall enforce the requirements set under subsection (1).
- 8.3 Agreement between an ATS and a Regulation Services Provider** - An ATS and a regulation services provider shall enter into a written agreement that provides
- (a) that the ATS will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);
  - (b) that the regulation services provider will monitor the conduct of the ATS and its subscribers;
  - (c) that the regulation services provider will enforce the requirements set under subsection 8.2(1);
  - (d) that the ATS will transmit the information required by Part 11 of NI 21-101 to the regulation services provider; and
  - (e) that the ATS will comply with all orders or directions made by the regulation services provider.
- 8.4 Agreement between an ATS and its Subscriber** - An ATS and its subscriber shall enter into a written agreement that provides
- (a) that the subscriber will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);
  - (b) that the subscriber acknowledges that the regulation services provider will monitor the conduct of the subscriber and enforce the requirements set under subsection 8.2(1);
  - (c) that the subscriber will comply with all orders or directions made by the regulation services provider, including orders excluding the subscriber from trading on any marketplace.
- 8.5 Exemption for an ATS Executing Trades in Unlisted Debt Securities**
- (1) Sections 8.1, 8.2, 8.3 and 8.4 do not apply to an ATS executing trades in unlisted debt securities, if the ATS complies with the requirements of IDA Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets, as amended.
  - (2) Subsection (1) does not apply after December 31, 2003.

## PART 9 MONITORING AND ENFORCEMENT REQUIREMENTS FOR AN INTER-DEALER BOND BROKER

- 9.1 Requirements Set by a Regulation Services Provider for an Inter-Dealer Bond Broker**

- (1) A regulation services provider shall set requirements governing an inter-dealer bond broker, including requirements that the inter-dealer bond broker will conduct trading activities in compliance with this Instrument.
- (2) A regulation services provider shall monitor the conduct of an inter-dealer bond broker and shall enforce the requirements set under subsection (1).

**9.2 Agreement between an Inter-Dealer Bond Broker and a Regulation Services Provider** - An inter-dealer bond broker and a regulation services provider shall enter into a written agreement that provides

- (a) that the inter-dealer bond broker will conduct its trading activities in compliance with the requirements set under subsection 9.1(1);
- (b) that the regulation services provider will monitor the conduct of the inter-dealer bond broker;
- (c) that the regulation services provider will enforce the requirements set under subsection 9.1(1); and
- (d) that the inter-dealer bond broker will comply with all orders or directions made by the regulation services provider.

**9.3 Exemption for an Inter-Dealer Bond Broker**

- (1) Sections 9.1 and 9.2 do not apply to an inter-dealer bond broker, if the inter-dealer bond broker complies with the requirements of IDA Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets, as amended.
- (2) Subsection (1) does not apply after December 31, 2003.

**PART 10**  
**MONITORING AND ENFORCEMENT REQUIREMENTS FOR A DEALER**  
**EXECUTING TRADES OF UNLISTED DEBT SECURITIES OUTSIDE OF A**  
**MARKETPLACE**

**10.1 Requirements Set by a Regulation Services Provider for a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace**

- (1) A regulation services provider shall set requirements governing a dealer executing trades of unlisted debt securities outside of a marketplace, including requirements that the dealer will conduct trading activities in compliance with this Instrument.
- (2) A regulation services provider shall monitor the conduct of a dealer executing trades of unlisted debt securities outside of a marketplace and shall enforce the requirements set under subsection (1).

**10.2 Agreement between a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace and a Regulation Services Provider** - A dealer executing trades of unlisted debt securities outside of a marketplace shall enter into an agreement with a regulation services provider that provides

- (a) that the dealer will conduct its trading activities in compliance with the requirements set under subsection 10.1(1);
- (b) that the regulation services provider will monitor the conduct of the dealer;

- (c) that the regulation services provider will enforce the requirements set under subsection 10.1(1); and
- (d) that the dealer will comply with all orders or directions made by the regulation services provider.

### **10.3 Exemption for a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace**

- (1) Sections 10.1 and 10.2 do not apply to a dealer executing trades of unlisted debt securities outside of a marketplace, if the dealer complies with the requirements of IDA Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets, as amended.
- (2) Subsection (1) does not apply after December 31, 2003.

## **PART 11 AUDIT TRAIL REQUIREMENTS**

**11.1 Application of this Part** -This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of NI 21-101.

### **11.2 Audit Trail Requirements for Dealers and Inter-Dealer Bond Brokers**

- (1) **Recording Requirements for Receipt or Origination of an Order** - Immediately following the receipt or origination of an order for securities, a dealer and inter-dealer bond broker shall record specific information relating to that order including,
  - (a) the order identifier;
  - (b) the dealer or inter-dealer bond broker identifier;
  - (c) the type, issuer, class, series and symbol of the security;
  - (d) the face amount or unit price of the order, if applicable;
  - (e) the number of securities to which the order applies;
  - (f) the strike date and strike price, if applicable;
  - (g) whether the order is a buy or sell order;
  - (h) whether the order is a short sale order, if applicable;
  - (i) whether the order is a market order, limit order or other type of order, and if the order is not a market order, the price at which the order is to trade;
  - (j) the date and time the order is first originated or received by the dealer or inter-dealer bond broker;
  - (k) whether the account is a retail, wholesale, employee, proprietary or any other type of account;
  - (l) the client account number or client identifier;
  - (m) the date and time that the order expires;
  - (n) whether the order is an intentional cross;

- (o) whether the order is a jitney and if so, the underlying broker identifier;
  - (p) any client instructions or consents respecting the handling or trading of the order, if applicable; and
  - (q) the currency of the order.
- (2) **Recording Requirements for Transmission of an Order** - Immediately following the transmission of an order for securities to a dealer, inter-dealer bond broker or a marketplace, a dealer or inter-dealer bond broker transmitting the order shall add to the record of the order maintained in accordance with this section specific information relating to that order including,
- (a) the dealer or inter-dealer bond broker identifier assigned to the dealer or inter-dealer bond broker transmitting the order and the identifier assigned to the dealer, inter-dealer bond broker or marketplace to which the order is transmitted; and
  - (b) the date and time the order is transmitted.
- (3) **Recording Requirements for Variation, Correction or Cancellation of an Order** - Immediately following the variation, correction or cancellation of an order for securities, a dealer or inter-dealer bond broker shall add to the record of the order maintained in accordance with this section specific information relating to that order including,
- (a) the date and time the variation, correction or cancellation was originated or received;
  - (b) whether the order was varied, corrected or cancelled on the instructions of the client, the dealer or the inter-dealer bond broker;
  - (c) in the case of variation or correction, any of the information required by subsection (1) which has been changed; and
  - (d) the date and time the variation, correction or cancellation of the order is entered.
- (4) **Recording Requirements for Execution of an Order** - Immediately following the execution of an order for securities, the dealer or inter-dealer bond broker shall add to the record maintained in accordance with this section specific information relating to that order including,
- (a) the identifier of the marketplace where the order was executed or the identifier of the dealer or inter-dealer bond broker executing the order if the order was not executed on a marketplace;
  - (b) the date and time of the execution of the order;
  - (c) whether the order was fully or partially executed;
  - (d) the number of securities bought or sold;
  - (e) whether the transaction was a cross;
  - (f) whether the dealer has executed the order as principal;
  - (g) the commission charged and all other transaction fees; and
  - (h) the price at which the order was executed, including mark-up or mark-down.
- (5) **Transmittal of Order Information** - A dealer and inter-dealer bond broker shall transmit to a regulation services provider the information required by the regulation services provider in the format and at the time required by the regulation services provider.

- (6) **Electronic Form** - After December 31, 2003, the record kept by the dealer or inter-dealer bond broker under subsections (1) through (4) and the transmission of information to a regulation services provider under subsection (5) shall be in electronic form.

## **PART 12 EXEMPTION**

### **12.1 Exemption**

- (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

## **PART 13 EFFECTIVE DATE**

**13.1 Effective Date** - This Instrument comes into force on December 1, 2001.

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