



## **Appendix B - Comments Received in Response to Rules Notice 12-0200 - Request for Comments - UMIR - Provisions Respecting Electronic Trading**

On June 28, 2012, IIROC issued IIROC Notice 12-0200 requesting comments on proposed amendments to UMIR respecting electronic trading (“Proposed Amendments”). IIROC received comments on the Proposed Amendments from:

CIBC World Markets Inc. (“CIBC”)  
Investment Industry Association of Canada (“IIAC”)  
RBC Capital Markets (“RBC”)  
Scotia Capital Inc. (“Scotia”)  
TD Securities Inc. (“TD”)

A copy of the comment letters received in response to the Proposed Amendments is publicly available on the website of IIROC ([www.iiroc.ca](http://www.iiroc.ca) under the heading “Notices” and sub-heading “Marketplace Rules – Request for Comments”). The following table presents a summary of the comments received on the Proposed Amendments together with the responses of IIROC to those comments. Column 1 of the table highlights the revisions to the Proposed Amendments on the approval of the Amendments.

<b>Text of the Provisions Approval of the Amendments (Revisions to the Proposed Amendments Highlighted)</b>	<b>Commentator and Summary of Comment</b>	<b>IIROC Response to Commentator and Additional IIROC Commentary</b>
<b>1.1 Definitions</b> “ <b>Electronic Trading Rules</b> ” means National Instrument 23-103 <i>Electronic Trading</i> as amended, supplemented and in effect from time to time.		
<b>1.2 Interpretation</b> (1) Unless otherwise defined or interpreted, every term used in UMIR that is: (a) defined in subsection 1.1(3) of National Instrument 14-101 <i>Definitions</i> has the meaning ascribed to it in that subsection; (b) defined or interpreted in the Marketplace Operation Instrument has the meaning ascribed to it in that National Instrument; (c) defined or interpreted in the Electronic Trading Rules has the meaning ascribed to it in that National Instrument; and (d) a reference to a requirement of an Exchange or a QTRS shall have the meaning ascribed to it in the applicable Marketplace Rule.		



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<p><b>7.1 Trading Supervision Obligations</b> ...</p> <p>(6) Notwithstanding any other provision of this Rule, a Participant or an Access Person shall adopt, document and maintain a system of risk management and supervisory controls, policies and procedures reasonably designed, in accordance with prudent business practices, to ensure the management of the financial, regulatory and other risks associated with:</p> <ul style="list-style-type: none"> <li>(a) access to one or more marketplaces; and</li> <li>(b) if applicable, the use by the Participant, any client of Participant or the Access Person of an automated order system.</li> </ul> <p>(7) A Participant may, on a reasonable basis:</p> <ul style="list-style-type: none"> <li>(a) authorize an investment dealer to perform on its behalf the setting or adjusting of a specific risk management or supervisory control, policy or procedure; or</li> <li>(b) use the services of a third party that provides risk management and supervisory controls, policies and procedures.</li> </ul> <p>(8) An authorization over the setting or adjusting of a specific risk management or supervisory control, policy or procedure or retaining the services of a third party under subsection (7) must be in a written agreement with the investment dealer or third party that;</p> <ul style="list-style-type: none"> <li>(a) precludes the investment dealer or third party from providing any other person control over any aspect of the specific risk management or supervisory control, policy or procedure;</li> <li>(b) unless the authorization is to an investment dealer that is a Participant, precludes the authorization to the investment dealer over the setting or adjusting of a specific risk management or supervisory control, policy or procedure respecting an account in which the investment dealer or a related entity of the investment dealer holds a direct or indirect interest other than an interest in the commission charged on a transaction or reasonable fee for the administration of the account; and</li> <li>(c) precludes the use of a third party unless the third party is independent of each client of the Participant other than affiliates of the Participant.</li> </ul>	<p><b>Scotia</b> – Seeks clarification on whether a procedure where a third party vendor sets or adjusts risk limits at the specific written request of the Participant would be considered acceptable.</p>	<p>The Amendments require that the Participant establish a system of risk management and supervisory controls, policies and procedures. The Amendments permit the Participant to authorize an investment dealer to perform on its behalf the setting or adjusting of a specific risk management or supervisory control, policy or procedure. If the Participant uses a third party to provide the supervisory controls, policies and procedures, the Participant or an authorized investment dealer must be the only persons that may set or adjust the controls even though the setting or adjustment will be effected by the third party provider. IIROC has revised the Guidance on Electronic Trading to clarify this point.</p>



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<p>(9) A Participant shall forthwith notify the Market Regulator:</p> <ul style="list-style-type: none"> <li>(a) upon entering into a written agreement with an investment dealer or third party described in subsection (8), of: <ul style="list-style-type: none"> <li>(i) the name of the investment dealer or third party, and</li> <li>(ii) the contact information for the investment dealer or the third party which will permit the Market Regulator to deal with the investment dealer or third party immediately following the entry of an order or execution of a trade for which the Market Regulator wants additional information; and</li> </ul> </li> <li>(b) of any change in the information described in clause (a).</li> </ul>		
<p>(10) The Participant shall review and confirm:</p> <ul style="list-style-type: none"> <li>(a) at least annually that: <ul style="list-style-type: none"> <li>(i) the risk management and supervisory controls, policies and procedures under subsection (6) are adequate,</li> <li>(ii) the Participant has maintained and consistently applied the risk management and supervisory controls, policies and procedures since the establishment of the controls, policies and procedures or the date of the last annual review, and</li> <li>(iii) any deficiency in the adequacy of a control, policy or procedure has been documented and promptly remedied;</li> </ul> </li> <li>(b) if the Participant has authorized an investment dealer to perform on its behalf the setting or adjusting of a specific risk management or supervisory control, policy or procedure to an investment dealer or retained the services of a third party, at least annually by the anniversary date of the written agreement with the investment dealer or third party that: <ul style="list-style-type: none"> <li>(i) the risk management and supervisory controls, policies and procedures adopted by the investment dealer or third party under subsection (6) are adequate,</li> <li>(ii) the investment dealer or third party has maintained and consistently applied the risk management and supervisory controls, policies and procedures since the establishment of the controls, policies and procedures or the date of the last annual review, and</li> <li>(iii) any deficiency in the adequacy of a control, policy or procedure has been documented by the Participant and</li> </ul> </li> </ul>		



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<p>promptly remedied by the investment dealer or third party, and</p> <p>(iv) the investment dealer or third party is in compliance with the written agreement with the Participant.</p>		
<p><b>7.11 Variation, Cancellation and Correction of Trades</b></p> <p>No trade executed on a marketplace shall, subsequent to the execution of the trade, be:</p> <p>(a) cancelled; or</p> <p>(b) varied or corrected with respect to:</p> <p>(i) the price of the trade,</p> <p>(ii) the volume of the trade, or</p> <p>(iii) the date for settlement of the trade,</p> <p>except:</p> <p>(c) by the Market Regulator in accordance with UMIR;</p> <p>(d) with the prior consent of the Market Regulator, if the variation, cancellation or correction would be necessary to correct an error caused by a system or technological malfunction of the marketplace's systems or equipment or caused by an individual acting on behalf of the marketplace; or</p> <p>(e) with notice to the Market Regulator immediately following the variation, cancellation or correction of the trade in such form and manner as may be required by the Market Regulator and such notice shall be given, if the variation, cancellation or correction is made:</p> <p>(i) prior to the settlement of the trade, by:</p> <p>(A) the marketplace on which the trade was executed at the request of a party to the trade and with the consent of each Participant and Access Person that is a party to the trade, or</p> <p>(B) the clearing agency through which the trade is or was to be cleared and settled, and</p> <p>(ii) after the settlement of the trade, by each Participant and Access Person that is a party to the trade.</p>	<p><b>IIAC</b> – Not clear why consent from the Market Regulator is required to vary, cancel or correct a trade when the error is caused by a system or technological malfunction of the marketplace systems or an individual acting on behalf of the marketplace. Would support a notice requirement.</p>	<p>UMIR imposes a number of obligations which are measured across marketplaces (e.g. provisions related to the prevention of trade-throughs under the Order Protection Rule). While a marketplace may look at activity on its own marketplace when making a decision to vary, cancel or correct, IIROC as the Market Regulator must ensure that the overall result is consistent with a “fair and orderly market” (such as ensuring that trades that may have been triggered or followed on from the “erroneous” trade on the one marketplace have been dealt with at the same time and in the same fashion. In the view of IIROC, a notice requirement would lead to uncertainty and confusion with respect to the disposition of “affected” trades that occurred on other marketplaces.</p>
<p><b>10.17 Gatekeeper Obligations with Respect to Electronic Trading</b></p> <p>(1) A Participant that has, under Rule 7.1, authorized an investment dealer to perform on its behalf the setting or adjusting of a specific risk</p>		



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<p>management or supervisory control, policy or procedure to an investment dealer or the provision of risk management or supervisory controls, policies and procedures to a third party shall forthwith report to the Market Regulator the fact that:</p> <p>(a) the written agreement with the investment dealer or third party has been terminated; or</p> <p>(b) the Participant knows or has reason to believe that the investment dealer or third party has failed to promptly remedy any deficiency identified by the Participant.</p>		
<p><b>Policy 7.1 – Trading Supervision Obligations</b></p> <p><b>Part 1 – Responsibility for Supervision and Compliance</b></p> <p>...</p> <p>In performing the trading supervision obligations, the Participant will act as a “gatekeeper” to help prevent and detect violations of applicable Requirements.</p> <p>When an order is entered on a marketplace without the involvement of a trader, the Participant retains responsibility for that order and the supervision policies and procedures should adequately address the additional risk exposure which the Participant may have for orders that are not directly handled by staff of the Participant. For example, it may be appropriate for the Participant to sample for compliance testing a higher percentage of orders that have been entered directly by clients than the percentage of orders sampled in other circumstances.</p> <p>In addition, the “post-order entry” compliance testing should recognize that the limited involvement of staff of the Participant in the entry of orders by a direct access client may restrict the ability of the Participant to detect orders that are not in compliance with specific rules. For example, “post-order entry” compliance testing may be focused on whether an order entered by a direct access client:</p> <ul style="list-style-type: none"> <li>• has created an artificial price contrary to Rule 2.2;</li> <li>• is part of a “wash trade” (in circumstances when the client has more than one account with the Participant);</li> <li>• is an unmarked short sale (if the trading system of the Participant does not automatically code as “short” any sale of a security not then held in the account of the client other than a client required to use the “short-marking exempt” designation); and</li> </ul>		



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<ul style="list-style-type: none"><li>has complied with other order marking requirements and in particular the requirement to mark an order as from an insider or designated shareholder.</li></ul>														
<p><b>Policy 7.1 – Trading Supervision Obligations</b></p> <p><b>Part 2 – Minimum Element of a Supervision System</b></p> <p>...</p> <p>The Market Regulator recognizes that there is no one supervision system that will be appropriate for all Participants. Given the differences among firms in terms of their size, the nature of their business, whether they are engaged in business in more than one location or jurisdiction, the experience and training of its employees and the fact that effective jurisdiction can be achieved in a variety of ways, this Policy does not mandate any particular type or method of supervision of trading activity. Furthermore, compliance with this Policy does not relieve Participants from complying with specific Requirements that may apply in certain circumstances. In particular, in accordance with subsection (2) of Rule 10.1, orders entered (including orders entered by a client, an investment dealer under a routing arrangement or by a client through an order execution services) must comply with the Marketplace Rules on which the order is entered and the Marketplace Rules on which the order is executed.</p> <p>...</p>														
<p><b>Policy 7.1 – Trading Supervision Obligations</b></p> <p><b>Part 3 - Minimum Compliance Procedures for Trading on a Marketplace</b></p> <table><tr><th>Minimum Compliance Procedures</th><th>Compliance Re Procedures</th><th>Potential Information Sources</th><th>Frequency and Sample Size</th></tr><tr><td>Restricted Security Rule 2.2 Rule 7.7</td><td><ul style="list-style-type: none"><li>review for any trading of restricted issues done by proprietary or employee accounts</li></ul></td><td><ul style="list-style-type: none"><li>order tickets</li><li>the diary list</li><li>trading blotters</li><li>firm trading restriction</li><li>monthly statements</li></ul></td><td><ul style="list-style-type: none"><li>daily</li></ul></td></tr><tr><td>Electronic Access to Marketplaces Rules 7.1 Securities Legislation</td><td><ul style="list-style-type: none"><li>pre-trade order review: prevent entry of orders on an order-by order basis that exceed pre-defined price and size parameters; prevent entry of orders that</li></ul></td><td><ul style="list-style-type: none"><li>automated pre-trade controls</li><li>real-time alert systems</li><li>immediate order and trade information including execution reports.</li></ul></td><td><ul style="list-style-type: none"><li>daily</li></ul></td></tr></table>	Minimum Compliance Procedures	Compliance Re Procedures	Potential Information Sources	Frequency and Sample Size	Restricted Security Rule 2.2 Rule 7.7	<ul style="list-style-type: none"><li>review for any trading of restricted issues done by proprietary or employee accounts</li></ul>	<ul style="list-style-type: none"><li>order tickets</li><li>the diary list</li><li>trading blotters</li><li>firm trading restriction</li><li>monthly statements</li></ul>	<ul style="list-style-type: none"><li>daily</li></ul>	Electronic Access to Marketplaces Rules 7.1 Securities Legislation	<ul style="list-style-type: none"><li>pre-trade order review: prevent entry of orders on an order-by order basis that exceed pre-defined price and size parameters; prevent entry of orders that</li></ul>	<ul style="list-style-type: none"><li>automated pre-trade controls</li><li>real-time alert systems</li><li>immediate order and trade information including execution reports.</li></ul>	<ul style="list-style-type: none"><li>daily</li></ul>		
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	do not comply with marketplace and regulatory requirements				
	-systematically prevent one or more orders from exceeding pre-determined credit and capital thresholds.				
	• monitor for unauthorized access to trading systems of Participant or Access Person.				
<b>Policy 7.1 – Trading Supervision Obligations</b> <b>Part 7 - Specific Provisions Applicable to Direct-Electronic Access</b> Trading supervision related to electronic access to marketplaces must be performed by a Participant or Access Person in accordance with a documented system of risk management and supervisory controls, policies and procedures reasonably designed to ensure the management of the financial, regulatory and other risks associated with electronic access to marketplaces. The risk management and supervisory controls, policies and procedures employed by a Participant or Access Persons must include: <ul style="list-style-type: none"> <li>• automated controls to examine each order before entry on a marketplace to prevent the entry of an order which would result in: <ul style="list-style-type: none"> <li>o the Participant or Access Person exceeding pre-determined credit or capital thresholds,</li> <li>o a client of the Participant exceeding pre-determined credit or other limits assigned by the Participant to that client, or</li> <li>o the Participant, Access Person or client of the Participant exceeding pre-determined limits on the value or volume of unexecuted orders for a particular security or class of securities;</li> </ul> </li> <li>• provision to prevent the entry of an order that is not in compliance with Requirements;</li> <li>• provision of immediate order and trade information to compliance staff of the Participant or Access Person; and</li> <li>• regular post-trade monitoring for compliance with Requirements.</li> </ul> A Participant or Access Person is responsible and accountable for all functions that they outsource to a service provider as set out in Part 11 of Companion				<b>Scotia</b> – Concerned that while smart order routers are defined as an automated order system there generally is not any capacity to change an order using the smart order router system directly.	The Amendments will require automated controls to evaluate orders “before entry on a marketplace”. The effect of the Amendments is to require orders to have “passed through” filters that are under the control of the Participant or Access Person entering the order. If orders do not pass through automated controls that have been set by the Participant prior to entry to a smart order router, the automated controls would have to be at the level of the smart order router. IIROC recognizes that current smart order routers in use in Canada do not have that capacity. Without this capacity, orders from a client could not be entered directly to a smart order router without passing through automated controls that have been set by the Participant. IIROC has revised the Guidance on Electronic Trading to clarify this point.
				<b>RBC</b> – Requests that IIROC outline the specific pre-order entry checks that dealers are expected to implement on a real-time basis. Suggests that the requirement be standardized to that provided for under National Instrument 23-103, namely “that must be satisfied on a pre-order entry basis”.	The minimum “automated controls” are set out in the three sub-bullets contained in the first bullet. In particular, the automated controls must examine each <b>order before entry on a marketplace</b> [emphasis added] to prevent the entry of an order which would result in: <ul style="list-style-type: none"> <li>o the Participant or Access Person exceeding pre-determined credit or capital thresholds,</li> <li>o a client of the Participant exceeding pre-determined credit or other limits assigned by the Participant to that client, or</li> <li>o the Participant, Access Person or client of the Participant exceeding pre-determined limits on the</li> </ul>



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<p>Policy 31-103CP <i>Registration Requirements and Exemptions</i>.</p> <p>Supervisory and compliance monitoring procedures must be designed to detect and prevent account activity that is or may be a violation of Requirements which includes applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place. These procedures must include “post-order entry” compliance testing enumerated under Part 1 of Policy 7.1 to detect orders that are not in compliance with specific rules, and by addressing steps to monitor trading activity, as provided under Part 5 of Policy 7.1, of any person who has multiple accounts, with the Participant and other accounts in which the person has an interest or over which the person has direction or control.</p>		<p>value or volume of unexecuted orders for a particular security or class of securities.</p> <p>The second bullet which requires the risk management and supervisory controls, policies and procedures to include provision to prevent the entry of an order that is not in compliance with Requirements is, in effect, for Participants a restatement of an existing UMIR provisions under Rule 7.1. In particular, Rule 7.1(2) requires:</p> <p>“Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with:</p> <ul style="list-style-type: none"> <li>(a) applicable regulatory standards with respect to the review, acceptance and approval of orders;</li> <li>(b) the policies and procedures adopted in accordance with subsection (1); and</li> <li>(c) all requirement of UMIR and each Policy.”</li> </ul> <p>The inclusion of this bullet in Part 7 of Policy 7.1 has the effect of extending the requirement to Access Persons who have electronic access to a marketplace.</p>
	<p><b>TD</b> – Would like to confirm that in cases when an order is entered on a marketplace with the involvement of a trader that the trader may continue to perform the trade supervision function rather than relying on automated controls for trade supervision. Believes that it is not feasible to apply an automated pre-trade control to limit a client’s settlement risk or margin requirements on a real-time basis across all asset classes or all electronic access channels. Similar problems would be encountered for capital limits for internal traders.</p>	<p>Policy 7.1 must be read in its entirety. Various parts of the Policy deal with different means by which orders are “received” by a Participant and how the Participant enters those orders on a marketplace. Underpinning the Policy is the requirement for enhanced supervision and monitoring of orders that are not inter-mediated by traders or registered employees of the Participant. Orders which are received electronically by a Participant and entered on a marketplace by the Participant electronically without intermediation by a registered employee will be subject to automated pre-entry controls which reflect that fact. Nonetheless, if orders are intermediated, the Amendments will require that there be automated pre-entry controls that are appropriate to the orders being entered by that trader. For example, among the appropriate automated pre-entry controls would be “fat finger” checks and value limits applicable to the trader.</p> <p>The Amendments do not require one aggregate client risk calculation across different electronic access channels or asset classes. The Amendments permit a separate limit to be determined for each channel or asset class. Participants are</p>





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		<p>able to continue to assess the aggregate client risk on a post-trade basis. The Amendments permit capital limits on each access channel independently and Participants are able to continue to assess aggregate market risk on a post-trade basis.</p> <p>IIROC has modified the Guidance on Electronic Trading to clarify these points.</p>
		<p>A drafting error has been corrected by deleting the word “Direct” from the title of Part 7. In IIROC Notice 12-0200, the text of the proposed provision was correct in Appendix B but the draft of the proposed amendments set out in Appendix A contained the word.</p>
<p><b>Policy 7.1 – Trading Supervision Obligations</b></p> <p><b>Part 8 - Specific Provisions Applicable to Automated Order Systems</b></p> <p>Trading supervision by a Participant or Access Person must be in accordance with a documented system of risk management and supervisory controls, policies and procedures reasonably designed to ensure the management of the financial, regulatory and other risks associated with the use of an automated order system by the Participant, the Access Person or any client of the Participant.</p> <p>Each Participant or Access Person must have a level of knowledge and understanding of any automated order system used by the Participant, the Access Person or any client of the Participant that is sufficient to allow the Participant or Access Person to identify and manage the risks associated with the use of the automated order system.</p> <p>The Participant or Access Person must ensure that every automated order system used by the Participant, the Access Person or any client of the Participant is tested in accordance with prudent business practices initially before use and at least annually thereafter. A written record must be maintained with sufficient details to demonstrate the testing of the automated order system undertaken by the Participant, Access Person and any third party employed to provide the automated order system or risk management or supervisory controls, policies and procedures.</p> <p>The scope of appropriate order and trade parameters, policies and procedures should be tailored to the strategy or strategies being pursued by an automatic order system with due consideration to the potential market impact of defining such parameters too broadly and in any event must be set</p>		



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<p>so as not to exceed the marketplace thresholds applicable to the marketplace on which the order is entered or would otherwise exceed the limits publicly disclosed by the Market Regulator for the exercise of the power of a Market Integrity Official under Rule 10.9 of UMIR.</p> <p>The Market Regulator expects the risk management and supervisory controls, policies and procedures to comply with the Electronic Trading Rules and be reasonably designed to prevent the entry of any order that would interfere with fair and orderly markets. This includes adoption of compliance procedures for trading by clients, if applicable, containing detailed guidance on how testing of client orders and trades is to be conducted to ensure that prior to engagement and at least annually thereafter, each automated order system is satisfactorily tested assuming various market conditions. In addition to regular testing of the automated order systems, preventing interference with fair and orderly markets requires development of pre-programmed internal parameters to prevent or “flag” with alerts on a real-time basis, the entry of orders and execution of trades by an automated order system that exceed certain volume, order, price or other limits.</p> <p>Each Participant or Access Person must have the ability to immediately override or disable automatically any automated order system and thereby prevent orders generated by the automated order system from being entered on any marketplace.</p> <p>Notwithstanding any outsourcing or permitted authorization over risk management and supervision controls, a Participant or Access Person is responsible for any order entered or any trade executed on a marketplace, including any order or trade resulting from the improper operation or malfunction of the automated order system. This responsibility includes instances in which the malfunction which gave rise to a “runaway” algorithm is attributed to an aspect of the algorithm or automated order system that was not “accessible” to the Participant or Access Person for testing.</p>		
<p><b>General Comments</b></p>	<p><b>CIBC</b> – “Extremely challenging” to meet the March 1, 2013 target implementation date of National Instrument 23-103. Encourages IIROC to allow for a longer implementation period. Points to the fact that it took 13 months to implement Rule 15c3-5 in the US. CIBC sees “risks associated with a poorly designed or poorly implemented solution”. In particular, CIBC notes that options and derivatives traded on the Montreal Exchange are subject to NI 23-103 and they seek greater clarity on the</p>	<p>Unlike NI 23-103, the UMIR provisions will only apply to a single asset class, namely listed equities (as UMIR is not applicable to the trading of fixed income or derivatives).</p> <p>While the amendments will be effective March 1, 2013, IIROC recognizes that additional time may be required to complete testing of automated pre-trade controls. IIROC expects that Participants will use best efforts to complete testing and implement such controls by March 1, 2013 but IIROC will permit testing to continue until May 31, 2013 at</p>



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	<p>implementation of pre-trade credit thresholds for those asset classes. Suggests a phased introduction by either asset class and/or type of pre-trade control. As recognized in the US with the Knight Capital issues, technical changes at the marketplace level can have a severe impact for both the participant and overall market integrity. Believes that there should be a “pause” in allowing marketplaces to introduce enhancements.</p>	<p>which time IIROC expects testing to be complete and that the automated controls will be fully operational.</p> <p>While IIROC is cognizant of the regulatory burden which is being imposed on marketplaces, Participants and Access Persons as a result of recent initiatives, the initiatives have dealt with developments in the market for which a regulatory response was considered appropriate. As a regulation services provider, IIROC’s primary role with respect to “marketplace enhancements” is to ensure they do not interfere with a “fair and orderly” market.</p>
	<p><b>IIAC</b> – Generally supportive of the objective of the Proposed Amendment but has serious concerns about the implementation period. Notes that IIAC members currently conduct their business using many different systems which are combinations of proprietary and third party systems. Significant work to develop, test and implement.</p>	<p>IIROC, in conjunction with the CSA, conducted a survey of IIAC members on their preparedness for implementation of ETR on March 1, 2013. The responses indicated that additional testing time may be needed or would be desirable. The responses confirmed that there were no specific provisions of the Proposed Amendments that could not be implemented by March 1, 2013. See response to CIBC above regarding the provision of additional time to complete testing of automated pre-trade controls.</p>
	<p><b>Scotia</b> – Believes that the most reliable place to protect against “flash crash” types of events is at the marketplace level. The planned marketplace thresholds are a good step but suggests additional enhancements:</p> <ul style="list-style-type: none"> <li>• order activity limits (on the number of orders from an individual trading ID or the markets as a whole);</li> <li>• notional limits (on each trading ID as specified by the Participant); and</li> <li>• automated access to disable trading IDs (more flexible functionality to the cancel-on-disconnect service that many marketplaces already offer).</li> </ul>	<p>While marketplaces have a role, the marketplace is not in a position to know if orders from a particular client are a risk to the Participant as well as to the integrity of the marketplace overall.</p> <p>“Individual” trading IDs often bundle together orders from a number of clients or sources. In the view of IIROC, it is more appropriate for the Participant to enforce these types of limits at the account or client level. This ensures that the Participant is better able to control their own risk to a particular client but the interests of other clients or sources or orders are not compromised if a particular account goes “off side”.</p>
	<p><b>Scotia</b> – Project plans from vendors generally leave approximately two months for testing and deployment. March 1<sup>st</sup> implementation leaves “no margin for issues or delays and would be considered</p>	<p>The Amendments will be effective March 1, 2013, the same date as the ETR. However, IIROC has acknowledged the significant impact of implementing automated controls prior to order entry on a marketplace. IIROC is</p>



Text of the Provisions Approval of the Amendments (Revisions to the Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	'best case' scenarios". Believes that an extension of 3 months is absolutely necessary and that 6 months may be prudent "depending on feedback ... from other participants".	therefore permitting a period for additional testing, if necessary until May 31, 2013.