

## **RULE 5 CLEARING AND SETTLEMENT OF**

### **TRADES**

#### **5-101 Ability to Clear and Settle**

- (1) Each Dealer shall:
  - (a) at the time of the entry to the Trading System of an order for the purchase or sale of a security:
    - (i) be a participant of a Clearing Corporation, or
    - (ii) have entered into an arrangement for the clearing and settlement of trades with a person who is a participant of a Clearing Corporation and such arrangement shall be in a form which is satisfactory to a Clearing Corporation.

#### **5-102 Clearing and Settlement**

All trades on the Trading System shall be reported, confirmed and settled through the Clearing Corporation pursuant to the Clearing Corporation's rules and procedures, unless otherwise authorized or directed by the Exchange.

#### **5-103 Settlement of Trades**

- (1) Trades shall settle on the first settlement day after the trade date, unless otherwise provided by the Exchange or the parties to the trade by mutual agreement.
- (2) Notwithstanding Rule 5-103(1), unless otherwise provided by the Exchange or the parties to the trade by mutual agreement: (a) trades on a when issued basis made:
  - (i) prior to the first Trading Day of the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and

- (ii) on or after the first Trading Day before the anticipated date of issue of the security shall settle on the first settlement day after the trade date, provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;
  - (b) trades for rights, warrants and installment receipts made:
  - (i) **Repealed (May 27, 2024)**
    - (ii) **Repealed (May 27, 2024)**
    - (iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment), provided selling Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale; and
  - (c) **Repealed (May 27, 2024)**
  - (d) cash trades that have been designated by the Exchange for same day settlement shall be settled by over-the-counter delivery no later than 2:00 p.m. on the trade day.
- (3) Notwithstanding Rule 5-103(1), an Exchange Contract may specify delayed delivery which shall provide the seller with the option to deliver at any time within the period specified in the contract, and, if no time is specified, delivery shall take place at the option of the seller within thirty

days from the date of the trade unless the parties by mutual agreement specify a delivery date more than thirty days from the date of the trade.

#### **5-104 Disputes Regarding Trade Reports**

- (1) Where there is a dispute between Dealers regarding a daily trade report prepared by the Clearing Corporation, or any correction to a trade report, it shall be resolved by the Exchange if the parties are unable to resolve the dispute.
- (2) The electronic report of a trade as maintained by the Exchange shall be taken as definitive evidence of a trade, and any dispute concerning the transaction record shall be resolved by a Decision of the Exchange.
- (3) Unless otherwise directed by the Exchange, any trade recorded on the trade report shall stand if the Exchange has not been informed of a dispute by the end of the Trading Day following the trade.

#### **5-105 Unreasonable Delay in Settlement**

The Exchange may take such action as it considers appropriate if, in the opinion of the Exchange, settlement of a trade appears to be unreasonably or improperly delayed.

#### **5-106 Compulsory Arbitration**

- (1) In the event of any dispute arising between Dealers regarding an Exchange Contract which has not been settled, such dispute shall be submitted to the decision of three arbitrators, who shall be employees of Dealers not employed by or affiliated with either Dealer involved in the dispute, selected as hereinafter provided, and the decision of the majority of such arbitrators shall be final and binding on all parties.
- (2) The procedure for the nomination of arbitrators shall be as follows:
  - (a) The Dealer believing it to be the injured party shall deliver to the Exchange a written memorandum, stating in a summary way the matter in dispute and the redress the Dealer claims, and naming its arbitrator;

- (b) The Exchange shall forward a copy of such memorandum to the opposite party, who shall within two clear Business Days after receipt thereof file with the Exchange a written memorandum containing its statement of the matter in dispute, and naming its arbitrator and the Exchange shall forward a copy thereof to the opposite party and copies of both memoranda so filed to the arbitrators named, and they shall proceed within twenty-four hours after receipt of such memoranda to nominate a third arbitrator;
  - (c) If a party fails to name its arbitrator, the Exchange may name one for the Dealer, and in the event of the two arbitrators named failing to nominate the third arbitrator within the time aforesaid the third arbitrator shall be appointed by the Exchange.
- (3) The three arbitrators so named shall forthwith give written notice to the parties of the time and place of their first sitting, which shall be held within two days after the appointment of the third arbitrator and shall require them to be present and to produce any books, documents or papers respecting the matter at issue, and at such time and place, or at any other time and place to which they shall give written notice to the parties, the arbitrators shall hear the parties, shall make such inquiries and receive such evidences as they may deem necessary, and shall decide the subject matter in dispute and fix the cost of the reference and shall make their award and forward the same in writing to the Exchange which shall give notice of the same to all the parties concerned.
- (4) The award of such arbitration shall be final and not subject to review or appeal and shall be binding upon all parties concerned and the *Arbitration Act* (Ontario) shall not apply to any such arbitration.
- (5) No Dealer shall commence legal proceedings against another Dealer upon any contract or breach of contract with reference to an Exchange Contract unless and until the Dealer has given due notice thereof to the Exchange and has received notice that the Exchange has authorized the commencement of such proceedings.

## **5-107 Corners**

- (1) If the Exchange is of the opinion that a single interest or group has acquired such control of a security that the security cannot be obtained

for delivery on existing Exchange Contracts except at prices and on terms arbitrarily dictated by such interest or group, the Exchange may postpone the time for delivery on Exchange Contracts and provide that any Exchange Contract calling for delivery prior to the time established by the Exchange shall be settled by the payment to the party entitled to receive such security of a fair settlement price.

- (2) If the parties to any Exchange Contract that is to be settled by payment of a fair settlement price cannot agree on the amount, the Exchange shall fix the fair settlement price and the date of the payment after providing each party with an opportunity to be heard.

#### **5-108 When Security Disqualified, Suspended or No Fair Market**

- (1) The Exchange may postpone the time for delivery on Exchange Contracts if:
  - (a) the security is delisted;
  - (b) trading is suspended in the security; or
  - (c) the Exchange is of the opinion that there is not a fair market in the security.
- (2) If the Exchange is of the opinion that a fair market in the security is not likely to exist the Exchange may provide that Exchange Contracts be settled by payment of a fair settlement price and if the parties to an Exchange Contract cannot agree on the amount, the Exchange shall fix the fair settlement price after providing each party with an opportunity to be heard.

#### **5-109 Failed Trades in Rights, Warrants and Installment Receipts**

- (1) Should fail positions in rights, warrants or installment receipts exist on the expiry or payment date, purchasing Dealers have the option of demanding delivery of the securities into which the rights, warrants or installment receipts are exercisable, any additional subscription privilege, and any subscription fee payable to a Dealer, that may be available, such demand shall be made before 4:00 p.m. on the expiry date.

- (2) Where a demand has been made in accordance with Rule 5-109(1), payment by purchasing Dealers for:
  - (a) the rights, warrants or installment receipts shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required; and
  - (b) the securities into which the rights, warrants or installment receipts are exercisable and payment for any additional subscription privilege shall be made upon delivery of the securities.
- (3) Where a demand has not been made in accordance with Rule 5- 109(1), settlement shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required.

#### **5-110 Restrictions on Dealers' Involvement in Buy-ins**

- (1) No Dealer shall knowingly permit any person on whose behalf a Buy-In Notice has been issued to fill all or any part of such order by selling the securities for the account of that person or an associated account and prior to selling to a buy-in, the Dealer, shall receive written or verbal confirmation that the order to sell is not being placed on behalf of the account of the person on whose behalf the Buy-In Notice was issued or an associated account.
- (2) A CNSX Dealer that issued a Buy-In Notice and the Dealer against whom a Buy-In Notice has been issued may supply all or a part of the securities provided that the principal supplying the listed securities is not:
  - (a) the CNSX Dealer;
  - (b) a Related Person; or
  - (c) an associate of any person described in Rules 5-110(2)(a) or (b).
- (3) If securities are supplied by the Dealer that issued the Buy-In Notice, delivery shall be made in accordance with the terms of the contract thus

created, and the Dealer shall not, by consent or otherwise, fail to make such delivery.

### **5-111 Defaulters**

- (1) If a Dealer against which an Exchange Contract is closed out under this Rule 5 fails to make payment of the money difference between the contract price and the buy-in price within the time specified or fails to conform to an award of arbitrators under Rule 5-106, the Dealer concerned shall become a defaulter, and notice of such default shall be provided by the Exchange to each Dealer.
- (2) If a Dealer makes default in, or fails to meet, or admits or discloses an inability to meet, its liabilities or engagements to the Investment Industry Regulatory Organization of Canada, the Canadian Investor Protection Fund or to the Clearing Corporation or to another Dealer or to the public, the Dealer concerned may be adjudged a defaulter and notice of such default shall be provided to each Dealer.
- (3) A Dealer failing to make delivery to the Clearing Corporation of securities and/or a certified cheque within the time limited by the rules governing the Clearing Corporation may be adjudged a defaulter.

### **5-112 Verified Statement of Outstanding Exchange Contracts**

Where in connection with an audit of a Dealer, another Dealer has verified in writing a statement of outstanding Exchange Contracts with the Dealer, such verification shall be binding and any outstanding Contracts not disclosed on such statement shall be unenforceable between the Dealers.

### **5-113 Delivering Dealer Responsible for Good Delivery Form**

- (1) **Delivering Dealer Responsible for Form of Certificate** – The delivering Dealer is responsible for the genuineness and complete regularity of the listed security, and a certificate that is not in proper negotiable form shall be replaced forthwith by one which is valid and in prior negotiable form, or by a certified cheque in lieu thereof, if a replacement certificate is not available.

- (2) **Where Certificates Delivered Not Acceptable to Transfer Agents** – A Dealer that has received delivery of a certificate that is not acceptable as good transfer by the transfer agent shall return it to the delivering Dealer, which shall make delivery of a certificate that is good delivery or of a certified cheque in lieu thereof.