

## **RULE 4**

### **TRADING OF SECURITIES**

#### **ORDER ENTRY AND TRADING**

##### **4-101 Access to Trading System**

- (1) A Dealer shall not permit any person to trade on the Trading System unless such person
  - (a) is an Approved Trader in good standing on the Toronto Stock Exchange or the TSX Venture Exchange; or
  - (b) has successfully completed the proficiency requirements for a Trader pursuant to the Investment Dealer and Partially Consolidated Rules of the Market Regulator; or
  - (c) has completed such other courses and/or assessments to ensure proficiency in the Rules as the Exchange may determine from time to time.
- (2) A Dealer shall ensure that each person entering orders on the Trading System has all necessary registrations under applicable securities legislation and is trained in and understands these Rules.
- (3) A Dealer's trade supervision procedures adopted pursuant to Part 7.1 of UMIR shall include provisions to monitor trading on the Trading System in compliance with these Rules.

##### **4-102 General Rules Applicable to Order Entry**

- (1) Each order entered on the Trading System shall be subject to any special rule or direction issued by the Exchange or the Market Regulator with respect to:
    - (a) clearing and settlement; and
    - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.
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- (2) Each order entered on the Trading System shall contain in addition to the UMIR required identifiers and designations a designation acceptable to the Market Regulator, if the order is:
  - (a) a Market Maker short sale exempt order; or
  - (b) of a type for which the Exchange or the Market Regulator may from time to time require a specific or particular designation.
- (3) A Dealer entering a client order on Trading System which is a distribution of a security of a Listed Issuer being made in reliance on National Instrument 45-102 or a successor instrument shall not enter the client order until the Form 45-102F1 Notice of Intention to Distribute Securities and Accompanying Declaration has been filed with the Commission and posted concurrently by the Listed Issuer on behalf of the seller on the Exchange website within the time frame prescribed in National Instrument 45-102.

#### **4-103 Minimum Price Variation**

The minimum trading increment in the Trading System shall be determined by the Board, subject to UMIR.

#### **4-104 Advantage Goes with Securities Sold**

- (1) In all trades of Listed securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by the Exchange, the Market Regulator or the parties to the trade by mutual agreement.
- (2) Claims for dividends, rights or any other benefits to be distributed to holders of record of Listed securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.
- (3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the Trading System, a Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to

such rights, but in no case shall a Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

#### **4-105 Foreign Currency Trading**

- (1) A report of a cross trade in a Listed security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.
- (2) The Dealer making the cross shall keep a record of the exchange rate used.

#### **4-106 Entry of Orders**

- (1) A Dealer may enter
  - (a) orders; and
  - (b) crosses at or between the bid and offerinto the Trading System.
- (2) Orders (other than Special Terms Orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.
- (3) Orders entered on a partially-disclosed basis must disclose at least one board lot or such greater amount as may be prescribed.

#### **4-107 Guaranteed Fill Facility**

##### **(1) Eligibility**

An order that is a client order for a security that is, in its entirety, for a volume less than or equal to any orders in the book that are immediately tradable at the NBBO or better, plus the Guaranteed Fill volume on that security is eligible for a guaranteed fill, provided that the order is not:

- a) One of multiple orders for the same client on the same day;
- b) An order entered by a DEA client, unless the DEA client is a broker acting as an agent for retail client order flow;
- c) An order entered on behalf of a U.S. dealer, unless
  - i. the order is for a client of the U.S. dealer; and

- ii. The Dealer first confirms the order is for a client of the U.S. dealer;  
or
  - d) For a client that is generally involved in active and continuous trading on a daily basis
- (2) Fills that occur in violation of the eligibility requirements above may be cancelled at the request of the Market Maker. The Exchange may cancel or amend any trades deemed to be improper use of the Guaranteed Fill facility.

#### **4-108 [Repealed]**

#### **4-109 Trading at the Opening**

- (1) The following orders may be entered prior to the opening:
  - (a) limit orders; and
  - (b) unpriced orders.
- (2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.
- (3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.
- (4) Any orders that remain unfilled after the opening will remain entered on the Trading System and have time priority based on the actual time of entry.

#### **4-110 Special Terms Orders**

- (1) Special Terms Orders are queued in a special terms book, separate from the regular book orders.
- (2) Multiple Special Term Orders at a single limit price are queued by time priority amongst themselves.
- (3) Special fill term orders are eligible for matching with orders from the regular book.
- (4) Special delivery term orders are not eligible for matching with orders from the regular book. Special delivery term orders must trade with orders from the special terms book.

#### **4-111 Trading After the Opening**

- (1) A tradeable order shall be allocated among offsetting orders as follows:
  - (a) to offsetting orders on the bid or offer (as the case may be) of the Dealer that entered the tradeable order, by time priority, and then
  - (b) to all other offsetting orders, by time priority.
- (2) The undisclosed portion of a partially-disclosed order does not have time priority. Each disclosed portion of such an order is assigned priority at the time of disclosure, as if the disclosed portion were an incoming order.

### **MARKET MAKERS**

#### **4-112 Appointment of Market Makers**

- (1) A Dealer wishing to act as a Market Maker in a Listed Security shall file notice thereof with the Exchange on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by the Exchange. Before granting such approval, the Exchange will consider
  - (a) The Guaranteed Fill volume proposed by the Market Maker;
  - (b) The proposed goal for the average bid/ask spread;
  - (c) Performance history as a Market Maker.
- (2) Subject to Rule 4-101, a Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.
- (3) A Dealer approved as a Market Maker must maintain a two-sided continuous quotation for a period of not less than three consecutive calendar months and must give the Exchange at least 30 days advance notice of its intention to relinquish any Market Maker Obligations.
- (4) A Dealer which ceases to act as a Market Maker in respect of a Listed Security may not become a Market Maker in that security for a period of 30 days.

- (5) The Exchange may in its sole discretion designate a Dealer as a Market Maker in respect of a Listed Security where the Dealer's trading activities suggest the market will be better served by the Dealer assuming the responsibilities of a Market Maker.
- (6) The Exchange may in its sole discretion withdraw the approval as a designated Market Maker on one or more securities with or without notice.
- (7) The Exchange may in its sole discretion waive the three month requirement or the notice period of 4-112(3) or the waiting period described in 4-112(4).

#### **4-113 Commitments and Performance**

- (1) *Two-Sided Quotations.* A Designated Market Maker shall
  - (a) buy and sell such security for its own account on a continuous basis, and
  - (b) ensure two sided quotations in the Trading System Within the accepted bid/ask spread goal.
- (2) *Minimum Size of Guaranteed Fill.* A Designated Market Maker's Guaranteed Fill volume shall be for at least two Board Lots less one share on each side of the market and may be for larger Board Lot multiples thereof.
- (3) *Odd Lots.* A better priced limit order or market order that is for a volume less than a Board Lot, or the portion of a tradable order that is less than a Board Lot, shall be filled automatically by the Market Maker.
- (4) *Quotations Reasonably Related to the Market.* A Market Maker shall enter and maintain quotations that are reasonably related to the prevailing market.
- (5) The Exchange will periodically review the performance of each Market Maker with respect to bid/ask spread maintenance and other relevant measures, as determined by the Exchange from time-to-time.

#### **4-114 Limit Order Protection**

- (1) A Designated Market Maker shall accept and provide best execution of a client order of a Dealer (other than another Designated Market Maker in the same security) if the Dealer declares to the Market Maker that the order is a client order.
- (2) A Market Maker is under no obligation to accept or handle a non-client or principal order.

#### **4-115 Additional Requirements**

- (1) A Market Maker shall immediately notify the Exchange and the Market Regulator of any unusual trading or order-entry patterns in a listed security that suggests that the security may be subject to manipulative trading practices or unusual volatility.
- (2) A Market Maker shall comply with such additional requirements as may be prescribed from time to time by the Exchange or the Market Regulator.
- (3) A Market Maker shall make such reports to the Exchange or the Market Regulator as may be prescribed or requested from time to time by the Exchange or the Market Regulator.