

# IIROC NOTICE

## Rules Notice

### Request for Comments – UMIR

*Please distribute internally to:*

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## **DARK POOLS, DARK ORDERS, AND OTHER DEVELOPMENTS ON MARKET STRUCTURE IN CANADA**

### **Summary**

This IIROC Notice provides notice that, on September 30, 2009, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Securities Administrators (“CSA”) published for comment a consultation paper entitled “Dark Pools, Dark Orders, and Other Developments on Market Structure in Canada” (the “Joint Consultation Paper”). A copy of the Joint Consultation Paper is available on the IIROC website (at [www.iiroc.ca](http://www.iiroc.ca) under the heading “Newsroom” and sub-headings “Publications” and “Other”) or by accessing this link <http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=7CA6856622A4482B86E4BB4639710343&Language=en>.

### **Background to the Joint Consultation Paper**

Over the past few years, the Canadian capital markets have experienced an evolution of market structure. Equity trading in Canada has moved from a centralized marketplace to an environment of multiple marketplaces, where exchanges and alternative trading systems (“ATs”) trade the same securities. Recent developments include the introduction of marketplaces that offer no pre-trade transparency (“Dark Pools”), the introduction of new order types, including those that have limited or no transparency (“Dark Orders”), the interaction of visible and Dark Orders on the same trading platform, and the introduction of smart order routers.

The CSA and IIROC have considered and assessed each new development before implementation. However, many of these changes have been introduced by ATs and, while



all changes have been subject to regulatory review, they have not been subject to a public comment process.

New developments in market structure can impact retail and institutional investors as well as marketplaces and dealers. As organizations with an investor protection mandate, the CSA and IIROC must examine the position of all investors. It has become clear that there are different views on the potential impact of some recent developments. As a result, the CSA and IIROC have decided to solicit feedback to encourage discussion about some of these recent changes.

### **Comment Process**

The CSA and IIROC specifically request comment on the issues and questions raised in the Joint Consultation Paper and encourage all participants in the market to participate in the discussion to ensure that all of the issues are explored. Interested parties are invited to make written submissions by **December 29, 2009** to the addresses indicated in the Joint Consultation Paper.

Because of the importance of the issues raised in this paper and their impact on the Canadian capital market, the CSA and IIROC intend to convene a roundtable to discuss the issues and the submissions received. The discussion will inform possible future work on process and substantive requirements by both the CSA and IIROC. Commentators who are interested in participating in the roundtable are asked to convey this intention in their written submission.

Commentators should be aware that a copy of their comment letter will be publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading “Policy” and sub-heading “Market Proposals/ Comments”) after the comment period has ended. A summary of the comments contained in each submission will also included in a future IIROC Notice in advance of the roundtable.