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*Assessing Canadian market quality and integrity*

## **IIROC Requests Assistance with Phase III of its Study of High Frequency Trading**

**May 2, 2013 (Toronto, ON)** – The Investment Industry Regulatory Organization of Canada (IIROC) today published a Request for Assistance for Phase III of its Study of High Frequency Trading Activity on Canadian Equity Marketplaces ([the HFT Study](#)).

On December 12, 2012, IIROC published the first two phases of this [study](#), which objectively identified a study group of traders and offered a detailed, statistical analysis of their activity.

For the third phase of the study, IIROC is requesting assistance from interested outside parties that have demonstrated expertise in the area of market structure, to assess the impact of HFT and related activity on Canadian market quality and integrity from multiple perspectives.

Concurrent with the work done by the successful candidate(s), IIROC will also be undertaking its own analysis. IIROC's goal is to address issues related to HFT in a fair and balanced manner.

The research will help to inform Canadian market policy direction, and will complement other efforts by IIROC to have appropriate controls in place.

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### **The Request for Assistance Background and Highlights**

- Canada is a unique regulatory environment with oversight by IIROC of all equity trading under a single set of rules.

- Advanced monitoring under our Surveillance Technology Enhancement Program (STEP) enables us to capture trading in a single consolidated view across markets and across securities.
- As a result, IIROC has a rich repository of regulatory market data consisting of all orders and trades executed on all national equity markets. IIROC is using this data to help analyze trading patterns for a better understanding of the issues facing Canadian equity markets.
- IIROC is requesting assistance from interested outside parties that have demonstrated expertise in the area of market structure, to assist in Phase III of the HFT Study.
- Interested parties should submit proposals that outline the specific definitions, metrics and methodologies that would address, at a minimum, some or all of the following items:
  - market quality / integrity measures;
  - identification and analysis of HFT entities' and other (retail / institutional) trading behaviours;
  - analysis of the impact of market structure changes on HFT behaviours; and
  - analysis of the impact of identified behaviours on market quality and on other market participants.
- IIROC will make available, on its premises, a unique dataset containing all messages received by IIROC from all Canadian equity trading venues in 2012, with masked broker and user attribution to protect confidentiality.
- Successful candidates will be:
  - offered grants to help defray costs;
  - permitted to publish research resulting from this work for IIROC, subject to the conditions below; and
  - required to agree to: complete the work within six months, use the data in the strictest of confidence and for no other purpose, and allow IIROC the right to review and approve the content and timing of any research publications<sup>1</sup>.

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IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees

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<sup>1</sup> IIROC will maintain the right to review the content of any proposed research publication to ensure that it does not disclose confidential information, and will review the timing of any proposed publication in order to ensure coordination with IIROC's publication dates.

and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.