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IIROC NOTICE

Rules Notice
Request for Comments
UMIR

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Comments Due: May 29, 2015

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March 30, 2015

Re-Publication of Proposed Guidance on Marketplace Thresholds

Executive Summary

IIROC is re-publishing for comment proposed guidance ("Proposed Guidance") regarding the establishment and operation of price thresholds by each marketplace in Canada that has retained IIROC as its regulation services provider ("Marketplace Thresholds"). Marketplace Thresholds would complement other initiatives undertaken by IIROC for controlling short-term, unexplained price volatility and risks arising from electronic trading.

National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* ("Electronic Trading Rule") provides that a "marketplace must not permit the execution of orders for exchange-traded securities to exceed the price and volume thresholds" set by IIROC. IIROC previously sought comment on guidance on Marketplace Thresholds in 2014 ("2014 Request").[1]

The primary differences from the 2014 Request are that the Proposed Guidance:

[1] IIROC Notice 14-0089 – Request for Comments – *Proposed Guidance on Marketplace Thresholds* (April 3, 2014). A summary of the comments received on IIROC Notice 14-0089 and IIROC's response is included as Appendix "B". Previous to the 2014 Request, IIROC also published IIROC Notice 12-0162 – Request for Comments – *Request for Comments on Marketplace Thresholds* (May 10, 2012) to solicit comment on the approaches that IIROC might take with establishing Marketplace Thresholds.

- prescribes harmonized price levels beyond which a marketplace must preclude trading activity rather than providing each marketplace with the discretion to determine the threshold levels that it would apply;
- extends the application of Marketplace Thresholds to each marketplace that has retained IIROC as its regulation services provider rather than only applying Marketplace Thresholds to protected marketplaces[2]; and
- does not apply Marketplace Thresholds to Opening Orders and Market-on-Close Orders.[3]

The Proposed Guidance is based on the same three guiding principles ("Guiding Principles") as in the 2014 Request. The Guiding Principles are focused on reducing the need for regulatory intervention, limiting regulatory burden on industry stakeholders, and supporting the market-wide operation of the price discovery mechanism.

Specifically, the Proposed Guidance would confirm that Marketplace Thresholds:

- apply during the core trading hours of 9:30 a.m. to 4:00 p.m. ET;
- set specific price thresholds beyond which a marketplace may not execute an order unless consented to by a Market Integrity Official;
- will measure against two reference prices: the national last sale price and the national last sale price established at one-minute intervals;
- need not include controls on the volume of an order;
- apply to all orders except for: a Basis Order, a Closing Price Order, a Special Terms Order, a Volume-Weighted Average Price Order, an Opening Order and a Market-on-Close Order[4];
- apply to an order received by a marketplace as a directed-action order ("DAO"); and
- should be publicly disclosed (at least on the website of the marketplace) as to the functionality of the control mechanism(s) used to implement the Marketplace Thresholds.

After considering the comments received in response to the Proposed Guidance, together with any comments of the Recognizing Regulators (defined below), IIROC will issue final guidance on the parameters and operations of Marketplace Thresholds which will become effective on a date that is ***at least*** 180 days following the publication of the notice.

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2 Reference should be made to Rule 1.1 of UMIR for the definition of "protected marketplace".
3 Reference should be made to Rule 1.1 of UMIR for the definition of "Opening Order" and "Market-on-Close Order".
4 Reference should be made to Rule 1.1 of UMIR for definitions of these order types.

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1. Policy Development Process

IIROC has been recognized as a self-regulatory organization by each of the Canadian provincial securities regulatory authorities (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of National Instrument 21-101 *Marketplace Operation* ("Marketplace Operation Instrument") and National Instrument 23-101 *Trading Rules*.

As a regulation services provider, IIROC administers and enforces trading rules for the marketplaces that retain the services of IIROC. IIROC has adopted, and the Recognizing Regulators have approved, UMIR as the market integrity trading rules that will apply in any marketplace that retains IIROC as its regulation services provider.

1.1. How to Submit Comments

Comments are requested on all aspects of the Proposed Guidance, including any matter not addressed in this Request for Comments. Comments should be in writing and delivered by **Friday, May 29, 2015** to:

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Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiroc.ca.

After considering the comments received in response to the Proposed Guidance, together with any comments of the Recognizing Regulators, IIROC will issue final guidance on the establishment of Marketplace Thresholds ("Guidance").

2. Background to the Proposed Guidance

2.1. Controlling Unexplained Price Volatility

Marketplace Thresholds are intended to operate as part of a four-level approach to preventing erroneous orders and controlling short-term, unexplained price volatility. Each level of control will ultimately play an important role in the overall framework designed to mitigate the risks associated with unexplained short-term price movement and erroneous orders and to promote fair and orderly markets in an electronic trading environment. The four identified levels of control are:

1. at the level of each Participant or Access Person entering orders on a marketplace;
2. at the marketplace level with each marketplace expected to implement thresholds that would, in the ordinary course, preclude the execution of erroneous or unreasonable orders;
3. the application of Single-Stock Circuit Breakers ("SSCBs") or IIROC's policies and procedures for the variation or cancellation of trades ("Unreasonable Trade Policy"), which are designed to address trading in the event of rapid and unexplained price movement over a short period of time; and
4. Market-wide Circuit Breakers which would trigger and halt trading on all marketplaces when there are declines in prices which affect the market generally.

As mentioned above, the initial responsibility for preventing erroneous orders rests with Participants and Access Persons who are required to implement risk management and supervisory controls, policies and procedures that include automated controls to examine each order before entry on a marketplace to prevent the entry of an order that would exceed pre-determined credit or capital thresholds.[5]

The next line of defense would be the Marketplace Thresholds. Only in rare circumstances should it be necessary for an erroneous order to be caught by a SSCB or by the application of the Unreasonable Trade Policy. IIROC believes that in general, SSCBs and the Unreasonable Trade Policy should not be relied on for dealing with erroneous trades, but should remain focused on addressing rapid and significant price movements due to sudden shifts in liquidity for a particular security that impact the continuance of a fair and orderly market.

IIROC's preference is that market forces drive trading activity without interference, provided there is a fair and orderly market. If material information has been properly disclosed to market participants, the price discovery mechanism should be allowed to work and the market price of the security may move rapidly to a new level, but such movement would be explained by the market's evaluation of the material news or information.

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[5] Part 7 of UMIR Policy 7.1

Given the tiered nature of these controls, the content of the requirements at each level must be coordinated to ensure that there are no readily identifiable gaps and that each set of controls is capable of working effectively in conjunction with the other levels.

Notwithstanding the introduction of SSCBs and the other levels of controls, IIROC retains the discretionary power to intervene, if required, to ensure a fair and orderly market in the trading of a listed security.

2.2. Marketplace Controls and Obligations

2.2.1. Existing Marketplace Controls

Several marketplaces currently maintain volatility parameters under which orders entering the marketplace are monitored for the effect that the execution of the order would have on market prices. In the case of Alpha, TSX, TSXV, TMX Select and CSE (previously known as CNSX/Pure Trading), if an incoming order for a particular security would, on execution, result in a trade price that would differ from the last sale price on that marketplace for that security by more than an established amount (the "freeze parameter"), trading is "frozen" until the marketplace can determine if the incoming order is valid.[6] If the marketplace is able to confirm the validity of the order (either by contacting the person who entered the order or by reviewing the market conditions), the freeze is lifted and the trade proceeds. If the trade is determined to be invalid (such as an erroneous order), the order is removed and trading resumes. If trading is "frozen", this is considered a business halt and trading in the particular security may continue on other marketplaces.

One shortcoming of freeze parameters is that they may not be triggered if the price movement is caused by the entry of more than one active order, even if the entry of the orders would otherwise be clearly erroneous, such as in the case of a runaway algorithm.

The freeze also inhibits additional order entry or change until the freeze is removed. In rapidly moving markets, the market price could move away during the period the freeze is in effect and dealers are not able to manage their orders. On the resumption of trading, orders in the book could be "taken advantage of" if the dealers are unable to change their orders to reflect the current market before other incoming orders trade against them. During the period of the freeze, the liquidity in the book of the marketplace invoking the freeze would be unavailable and order routers may bypass that marketplace and trade on other marketplaces albeit possibly at inferior prices to the liquidity available on the marketplace that imposed the freeze.

Alpha, TSX, TSXV, TMX Select and CSE also employ bid/ask tick limits under which market orders and limit orders that would execute outside of an established range are re-priced by the marketplace prior to being entered into the book. This collar prevents a single market

[6] TMX Select and Alpha operate a similar system of volatility parameters, but TMX Select and Alpha parameters also take into account the last sale price of the security on the TSX or TSXV.

order or an aggressively-priced limit order from trading outside the range which is based on a transparent matrix of different collars for securities priced at varying levels. For example, on the TSX and TSXV, a market sell order for a security trading between $1.00 and $5.00 would be assigned a maximum limit price of the existing bid at the time of the entry of the order less $0.25.

Chi-X and CX2 maintain similar programs governing market volatility but, rather than freezing trading, they reject the suspect incoming order and trading continues.[7] The reject parameters on Chi-X and CX2 are determined by multiple price bands calculated as a percentage of value from the last sale price. The price bands vary depending on the price of the security, and any order which would exceed a price band is rejected. If an order is rejected, the order may be rerouted to another marketplace trading the particular security. The advantage of reject parameters is that trading continues and it is only the "offending" order that is returned to the dealer for handling. One possible shortcoming of the use of reject parameters comes if the rejected order is simply rerouted by a smart order router to the next best available marketplace – an outcome which may simply pass the problem of an erroneous order to another marketplace.

The remaining marketplaces in Canada do not currently maintain or enforce volatility parameters. Omega is a transparent marketplace which may execute clearly erroneous trades. Omega has policies to cancel such trades following execution but not to catch the orders on entry. Under the Proposed Guidance, all marketplaces that have retained IIROC as a regulation services provider, including Omega as well as dark marketplaces Instinet, Liquidnet and MATCH Now, would be required to implement Marketplace Thresholds.

2.2.2. Obligations Under the Electronic Trading Rule

Section 8 of the Electronic Trading Rule provides that a "marketplace must not permit the execution of orders for exchange-traded securities to exceed the price and volume thresholds" set by the marketplace or, if the marketplace has retained a regulation services provider, its regulation services provider. Since all marketplaces trading listed securities and quoted securities in Canada have retained IIROC to be their regulation services provider, the thresholds would be established by IIROC.[8] Section 8 of the Electronic Trading Rule also requires that a marketplace regularly assess and document whether it requires any risk management and supervisory control, policy or procedure relating to electronic trading. The Marketplace Thresholds represent the minimum controls that marketplaces must implement to address short-term price volatility and prevent erroneous orders on its market. However, a

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7 Prior to the adoption on April 29, 2013 of "freeze parameters" with section 5.6 of the Trading Policies of Alpha, Alpha's volatility controls were comparable to those used by Chi-X.

8 If IIROC ceases to be the regulation services provider for any marketplace trading listed or quoted securities, subsection 8(2) of the *Electronic Trading Rule* would require IIROC to coordinate the thresholds with the other regulation services providers and any Exchanges or QTRSs that perform their own market integrity regulation.

marketplace is not precluded from using other mechanisms to address the risks of electronic trading on its platform.

3. Summary of Changes Made to 2014 Request

On April 3, 2014, IIROC issued the 2014 Request, seeking comments on proposed guidance related to marketplace thresholds. IIROC received three comment letters in response to the 2014 Request.[9] Appendix B to this Notice presents a summary of the comments received and IIROC's responses.

After considering the comments, IIROC has revised the 2014 Request such that the Proposed Guidance:

1. sets harmonized price thresholds; and
2. expands the application of Marketplace Thresholds to dark marketplaces.

3.1. Harmonized Price Thresholds

While the 2014 Request proposed that each marketplace would have the discretion to adopt thresholds that are appropriate for the type of trading on that marketplace, a number of commentators indicated a preference for Marketplace Thresholds to be harmonized.

IIROC agrees that harmonized Marketplace Thresholds would have the benefit of being easily understood by market participants and that market integrity may be better served when there is a higher degree of predictability as to when Marketplace Thresholds will be triggered. Therefore the Proposed Guidance would apply harmonized thresholds across marketplaces.

We note that in setting specific Marketplace Thresholds, IIROC is not limiting its ability to bring forth enforcement action with respect to trading activity that may have occurred within the prescribed thresholds but is still considered to be in contravention of IIROC rules.

3.1.1. Determination of Harmonized Price Thresholds

IIROC believes that Marketplace Thresholds should generally preclude the execution of orders at prices that would otherwise, on execution, require regulatory intervention by IIROC by the triggering of a SSCB or the application of the Unreasonable Trade Policy. In order to determine appropriate price thresholds to meet this principle, IIROC reviewed various factors related to the historical pricing, liquidity and volatility of listed securities. From an analysis of these factors, clusters of securities with similar trading patterns were identified based on price. We then examined historical data over a set time period to determine how often trades had occurred beyond various threshold levels for each price category.

The following table outlines the specific price parameters that are being proposed as the Marketplace Thresholds:

9 A copy of the comment letters received in response to the 2014 Request is publicly available on the IIROC website at: http://www.iiroc.ca/SitePages/Comments-Received.aspx?linkid=867.

Class of Security	Price Category of Security	Threshold Level
Securities not subject to SSCBs	0.00 > - < .50	300%
	.50 ≥ - < 1.00	50%
	1.00 ≥ - < 5.00	30%
	5.00 ≥ - < 10.00	20%
	10.00 ≥ - < 30.00	15%
	30.00+	10%
Exchange-listed Debt	All price categories	20%
Exchange-Traded Funds	All price categories	10%
Securities subject to SSCBs[10] (excluding Exchange-Traded Funds)	All price categories	10%

We note that the threshold level for securities priced below fifty cents is much larger than those proposed for the other price categories. This difference is based on our findings that the trading of securities priced below fifty cents can experience large percentage price movements that are indicative of normal trading behaviour for such securities. In order to ensure that Marketplace Thresholds do not unnecessarily prevent trades in these types of securities at an appropriate price but still help prevent erroneous orders, the proposed 300% threshold level would allow a security priced below fifty cents to execute at any lower price but would institute an upper price limit beyond which the security could not trade.[11]

3.1.2. Operation of Marketplace Thresholds

(a) Reference Prices

A Marketplace Threshold would be triggered for a particular security when an order is received by a marketplace that, if executed, would exceed the prescribed threshold level. For

[10] See http://www.iiroc.ca/industry/rulebook/Pages/SSC-Breakers.aspx for a daily list of securities that are subject to SSCBs.

[11] We note that effective September 26, 2013, the SEC approved amendments to the Limit Up-Limit Down (LULD) program in the U.S. to exclude a group of illiquid securities from the LULD program after a series of halts were triggered affecting illiquid securities, often in the absence of any actual trades. The proposed threshold level for securities priced below fifty cents is designed to avoid a similar situation arising in Canada upon implementation of the Marketplace Thresholds.

the purposes of determining a price increase or decline, a marketplace must compare each order of a security to be traded on the marketplace to two reference prices:

1. the national last sale price[12] of that security set on that particular trading day ("NLSP"); and
2. the national last sale price of that security that occurred on the most recent minute interval ("One-Minute Reference Price"). For example: at 10:00:00 the One-Minute Reference Price would be the value of the NLSP at 10:00:00 and remains constant for one minute until it is updated at the next minute increment at 10:01:00. Therefore, the value of the One-Minute Reference Price at 10:01:08 is the value of the One-Minute Reference Price that was established at 10:01:00 and does not change, regardless of any orders that are executed, until it is reset at 10:02:00.

If an order, on execution, would trade at a price that exceeds the prescribed threshold level measured against either of these reference prices, the marketplace must preclude the execution of the offending order.

Under the first Guiding Principle, Marketplace Thresholds should be designed to preclude the execution of an order that would require regulatory intervention and where that order is:

- a single active order received by the marketplace;
- part of a series of orders for a particular security, the preponderance of which have been generated from the same source (e.g. the same "Trader ID") over a very short period of time; or
- one of a series of stop-loss orders for a particular security that are held by the marketplace for processing which have been triggered at the same time or in succession over a very short period of time.

A comparison to the NLSP is designed to prevent "fat finger" errors and mitigate sudden price movements in the market caused by a single active order received by the marketplace.

A comparison to the One-Minute Reference Price of the security is designed to mitigate the risk of large price swings in short periods of time, such as might be the result of a series of orders caused by a runaway algorithm or a series of stop-loss orders that are held by the marketplace for processing and have been triggered at the same time or in succession.

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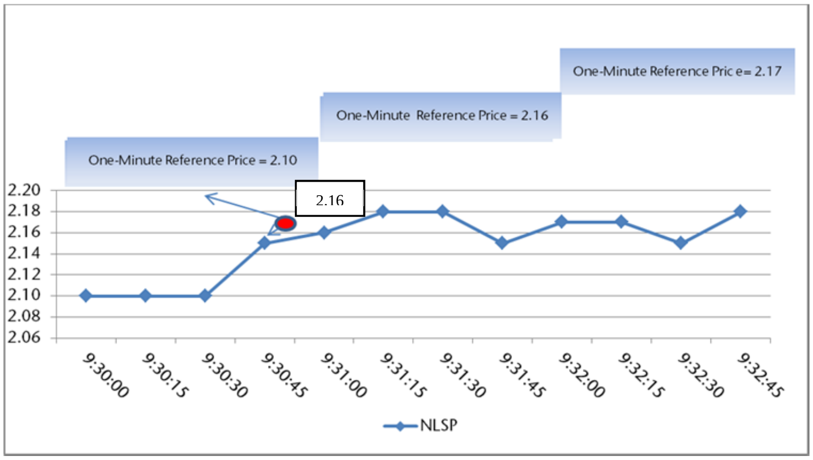
[12] UMIR defines "last sale price" as the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is:
(a) a Basis Order;
(b) a Call Market Order;
(c) a Closing Price Order;
(d) a Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order; or
(e) a Volume-Weighted Average Price Order.

Below are a number of examples that highlight the interplay of the NLSP and One-Minute Reference Price bands to create the Marketplace Thresholds that will be used to preclude offending orders from execution.

Example A



Order received at 9:30:50 ($2.16)

Measured against NLSP ($2.15) +/- 30%. NLSP price band is $1.51 - $2.80.

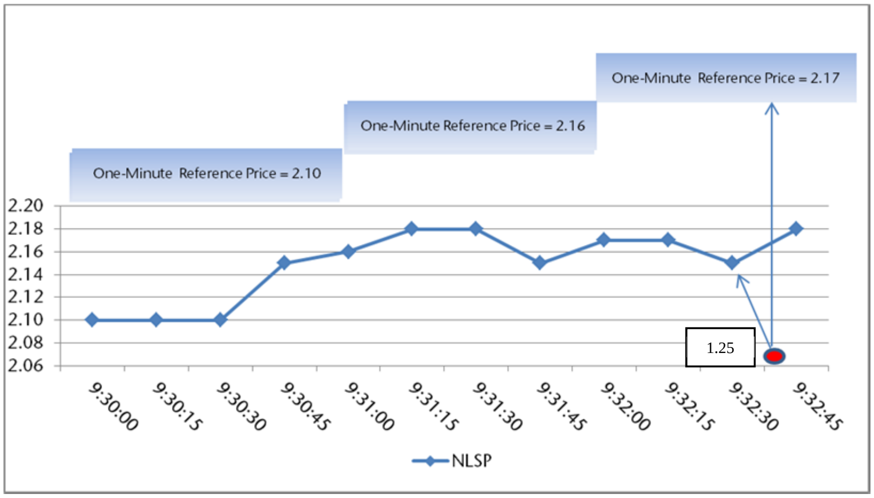
Order price is within the Marketplace Threshold.

Measured against One-Minute Reference Price ($2.10) +/- 30%. One-Minute Reference Price band is $1.47 - $2.73.

Order price is within the Marketplace Threshold.

Order is submitted for execution.

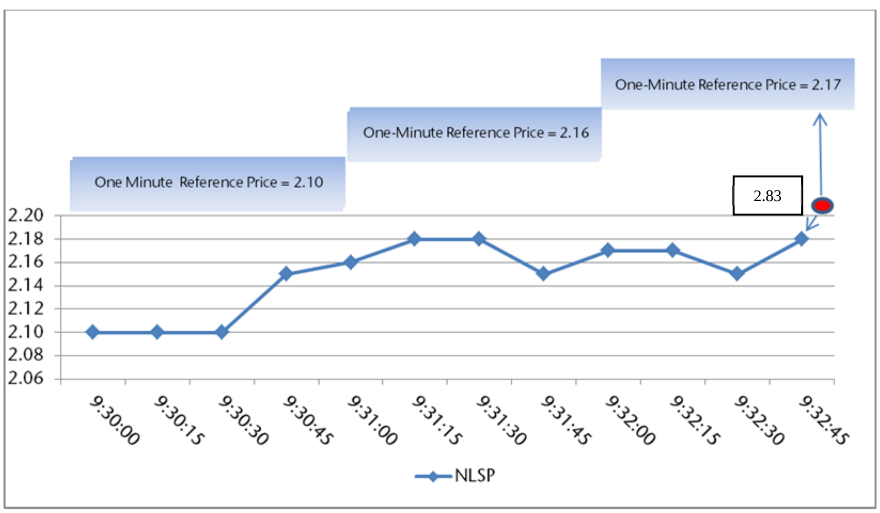
Example B



Order received at 9:32:40 ($1.25)
Measured against NLSP ($2.15) +/- 30%. NLSP price band is $1.50 - $2.80.
Order price is outside the Marketplace Threshold.

The order does not need to be checked against the One-Minute Reference Price as execution is prohibited when measured against the NLSP.

Example C



Order received at 9:32:50 ($2.83)
Measured against NLSP ($2.18) +/- 30%. NLSP price band is $1.53 - $2.83.
Order price is within the Marketplace Threshold.
Measured against One-Minute Reference Price ($2.17) +/- 30%. One-Minute Reference Price band is $1.52 - $2.82.

Order price is outside the Marketplace Threshold and order execution is prohibited.

(b) Price Category Determination

The price category of a security would be based on the last NLSP of that particular security on the immediately preceding trading day. For a newly listed security, we would expect the listing exchange to send a notice by the evening prior to the first trading day of the security to all other marketplaces indicating the initial price category for that security. We expect this process to be similar to current practice for determining the price at which a newly listed security will trade for the purposes of calculating a "standard trading unit" for that security.

(c) Hours of Operations

We propose that Marketplace Thresholds would operate during core trading hours from 9:30 a.m. to 4:00 p.m. ET.

(d) First Trade Exempt from Marketplace Thresholds

Under the Proposed Guidance, the first trade of each trading day in a particular security in Canada would not be subject to Marketplace Thresholds but would be used as the initial NLSP for that security on that trading day. Similarly, the first trade in a particular security in Canada after the lifting of a regulatory trading halt would not be subject to Marketplace Thresholds.

We note that an appropriate price for a security may not be similar to the price at which the security may have last traded days earlier or before a regulatory trading halt. In these instances, subjecting an order to a Marketplace Threshold that is referenced off of a "stale" NLSP may prevent a Participant or Access Person from executing a trade at an otherwise appropriate price. Not applying Marketplace Thresholds to the first trade in a security in Canada on a particular trading day or to the first trade in a security in Canada after a regulatory trading halt will avoid this issue. IIROC's view is that not applying the protection of Marketplace Thresholds to the first trade of a security on a particular trading day or after a regulatory trading halt is balanced by the fact that these orders are still subject to Participant and Access Person pre-trade filters and that this approach avoids unduly preventing trades at appropriate prices.

(e) No Application of Marketplace Thresholds on Opening Orders and Market-on-Close Orders

The 2014 Request proposed that Marketplace Thresholds should be designed to apply to any order received by the marketplace that on execution would establish the last sale price and specifically stated that Opening Orders and Market-on-Close Orders should be subject to some form of volatility control.[13] We continue to believe that the following orders that do not set the last sale price should not be subject to Marketplace Thresholds: Basis Orders, Closing Price Orders, Special Terms Orders and Volume-Weighted Average Price Orders. We further

[13] Reference should be made to Rule 1.1 of UMIR for the definitions of "last sale price", "Opening Order" and "Market-on-Close Order".

believe that Opening Orders and Market-on-Close Orders should not be subject to Marketplace Thresholds.

We note that in the instance where the execution of an Opening Order in a security may be delayed, the price of an Opening Order may be materially different from a trade in that security that took place earlier that trading day on another marketplace such that the Opening Order price could trigger a Marketplace Threshold. This would mean that the Opening Order would not be able to trade at its calculated price and lead to a sub-optimal result. Likewise, not allowing a Market-on-Close Order to trade at its calculated price would also lead to a sub-optimal result. We believe that not applying Marketplace Thresholds to Opening Orders and Market-on-Close Orders is balanced by the fact that these orders are the result of marketplace operations that are designed to arrive at the best price for a security based on customer supply and demand and that each facility incorporates a form of price control.

However, we note that executions that occur as either an Opening Order or Market-on-Close Order do establish the NLSP and as such would set the NLSP for the purposes of Marketplace Threshold calculations.

(f) Threshold Override

In order to address situations where a Participant intends to execute an order at a price that is outside a prescribed Marketplace Threshold but actually represents an appropriate price for that security, the Proposed Guidance specifies that marketplaces must build their control mechanisms with the ability to override the system such that an order that would otherwise be prevented from trading could be permitted to execute. The Proposed Guidance further explains that this feature should be used by a marketplace only upon instruction or prior consent from a Market Integrity Official in order to maintain fair and orderly markets.

3.2. Application of Marketplace Thresholds to All Marketplaces

The 2014 Request proposed that only a “protected marketplace” must adopt Marketplace Thresholds. IIROC’s view at that time was that there would be no benefit in extending the requirement for Marketplace Thresholds to dark pools given that no SSCB had been triggered as a result of an execution of a trade on a dark pool since the introduction of SSCBs in February, 2012. However, a number of commentators submitted that Marketplace Thresholds should be extended to dark pools because the price of a trade could actually exceed a Marketplace Threshold if there was a very wide quote. IIROC agrees with this analysis and in the interests of effectively controlling for short-term volatility and addressing erroneous orders, we are now proposing that Marketplace Thresholds apply to all marketplaces that have retained IIROC as a regulation services provider.

4. Summary of Other Proposed Guidance Elements

The remaining aspects of the Proposed Guidance are the same as previously set out in the 2014 Request and are summarized below.

4.1. Guiding Principles for Marketplace Thresholds

As mentioned above, IIROC continues to follow the three Guiding Principles set out in the 2014 Request to help ensure the Marketplace Thresholds and the control mechanisms adopted by marketplaces are effective and can be appropriately integrated into the multi-tiered approach for the control of short-term volatility and preventing erroneous orders.

4.1.1. Guiding Principle - Reduce Need for Regulatory Intervention

The first Guiding Principle has been incorporated into the proposed price parameters of the Marketplace Thresholds. Specifically, the threshold levels were chosen to, in general, preclude the execution of single orders and a series of orders at prices that would require regulatory intervention by IIROC if executed.

Certain commentators to the 2014 Request recommended that, in addition to harmonizing threshold levels, IIROC should also set a uniform process that all marketplaces must use when dealing with orders that trigger a Marketplace Threshold. After considering these comments, IIROC believes that the objective of harmonization of Marketplace Thresholds should be balanced against the potential costs and the degree of flexibility that a marketplace requires in adopting control mechanisms that are appropriate for the type of trading undertaken on its market. For this reason, we have not proposed a specific control mechanism that marketplaces must use to ensure that the orders it executes remain within the prescribed tolerances of the Marketplace Thresholds. However, in order to help ensure that a control mechanism is appropriately integrated into the multi-tiered approach to effectively prevent erroneous orders and address short-term volatility, we propose that a control mechanism adopted by a marketplace adhere to the remaining two Guiding Principles as discussed below.

4.1.2. Guiding Principle - Minimum Impact on Price Discovery and Access to "Tradable" Liquidity

Under this principle, the control mechanism used by a marketplace should have the least amount of impact that is practical on the market-wide operation of the price discovery mechanism and access to "tradable" liquidity.

IIROC believes that the application of Marketplace Thresholds should not exacerbate price movement during periods of rapid market volatility by:

- preventing access to orders that would otherwise be able to execute at "acceptable" prices; or
- redirecting "unacceptable" orders to other marketplaces or returning the orders to a smart order router for re-entry on another marketplace.

We note that if the control mechanism used to implement the Marketplace Thresholds simply "rejects" offending orders, that mechanism would not meet this principle. Amending the functionality to provide a message as to the reason for the rejection would meet this principle. As well, executing the order to the limit provided by the Marketplace Threshold with the balance of the order re-priced and booked as a limit order at that price or cancelled with a message sent to the originator of the order indicating the reason for the re-price or cancellation would also meet this principle.

Upon the Participant or Access Person that entered the order receiving notice that an order or a portion of an order has been re-priced or cancelled due to exceeding Marketplace Thresholds, the Participant or Access Person is given the opportunity to review the order to ensure that its re-entry would not interfere with a fair and orderly market and not contravene requirements set under Policy 7.1.

For marketplaces that are considering using a "freeze" control mechanism, it is important to note that IIROC has historically treated the initial trade following the release of a "freeze" parameter to be akin to the execution of an Opening Order and therefore not subject to compliance with the Order Protection Rule under Part 6 of National Instrument 23-101. However, in order to meet this second Guiding Principle and allow access to orders that would otherwise be able to execute at "acceptable" prices, IIROC proposes to modify its administrative interpretation such that if the control mechanism implementing the Marketplace Thresholds:

- permits order entry, variation and cancellation during the period when execution is precluded, the initial execution following the resumption of trading would continue to be treated as akin to execution of an Opening Order; or
- does not permit order entry, variation and cancellation during the period when execution is precluded, the initial execution following the resumption of trading could not be at a price which is less than the best bid price or higher than the best ask price at the time of the execution.

The Proposed Guidance would provide marketplaces with flexibility in determining the functionality of their control mechanisms while ensuring that existing orders on marketplaces cannot be "taken advantage of".

4.1.3. Guiding Principle - Minimum Imposition of Regulatory Burden on Other Entities

The third Guiding Principle for Marketplace Thresholds is that the control mechanism adopted by a marketplace should, to the greatest extent possible, not impose a regulatory burden (including the need for technological changes) on other marketplaces, service providers, regulation services providers, information processors, Participants and Access Persons. This would serve to ensure that these entities are not faced with unnecessary changes and costs related to the introduction of a Marketplace Threshold control mechanism.

4.2. No Requirement for Volume Controls

The 2014 Request did not propose thresholds for order volumes and all commentators agreed with this approach.

Because of the specific obligations imposed on Participants and Access Persons to have automated controls prior to order entry[14] and the difficulty to accurately determine an order volume that would be appropriate for a particular Participant or Access Person, IIROC does not believe at this time that a volume control by itself should form part of the Marketplace Threshold regime. Nonetheless, under the Electronic Trading Rule a marketplace is required to regularly assess whether it requires any risk management and supervisory controls, policies and procedures relating to electronic trading[15] and in so doing may introduce volume controls.

4.3. Application of Marketplace Thresholds to Directed-Action Orders

IIROC proposes that Marketplace Thresholds apply to all DAOs received by a marketplace.[16]
The role of Marketplace Thresholds is to preclude the execution of trades that would otherwise require regulatory intervention. IIROC continues to be concerned that excluding DAOs from the application of Marketplace Thresholds would merely lead to more interventions by IIROC than would otherwise be required and has therefore maintained this aspect in the Proposed Guidance.

While a DAO is an instruction to the receiving marketplace to immediately execute the order without reference to the prices of orders on other marketplaces, we propose that Marketplace Thresholds would prevent the execution of a DAO that exceeds the prescribed price parameters.

4.4. Transparency of Marketplace Threshold Functionality

As in the 2014 Request, IIROC proposes that marketplaces will publicly disclose, at least on the website of the marketplace, a detailed description of the control mechanism(s) it uses to implement the Marketplace Thresholds. The description should provide specific examples of how an order that triggers a Marketplace Threshold will be handled by that marketplace.

Transparency of Marketplace Threshold functionality provides certainty to Participants and Access Persons as to how an order that exceeds Marketplace Thresholds will be treated by a marketplace.

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14 UMIR Policy 7.1, Part 7

15 Subsection 7(1) of NI 23-103

16 See National Instrument 23-101 *Trading Rules* for the definition of a "directed-action order".

4.5. Other Marketplace Controls

We note that Marketplace Thresholds would represent the minimum price levels whereby a marketplace must preclude the execution of an order for a listed or quoted security. However, a marketplace is not prohibited from implementing tighter price levels or introducing other controls to address the risks of electronic trading that takes place on its platform or as an additional customer service offering. We would expect that this type of functionality would be submitted for review by statutory regulators prior to operation and would be publicly and clearly disclosed on the marketplace's website.

5. Obligations for Participants and Access Persons

Part 8 of Policy 7.1 requires that the scope of order parameters, policies and procedures for every automated order system used by a Participant, Access Person or any client of a Participant are set so as not to exceed Marketplace Thresholds or the limits publicly disclosed by the Market Regulator for the exercise of the power of a Market Integrity Officer, which includes the limits established for the triggering of a SSCB.

The triggering of a SSCB results in a trading halt on all marketplaces and therefore it is appropriate that Participants and Access Persons are required to tailor the control parameters used in their automated order systems to avoid this type of regulatory intervention.

Triggering a Marketplace Threshold, however, would not result in a trading halt. Given the less intrusive nature of the triggering of a Marketplace Threshold, we are considering whether the requirement in Part 8 of Policy 7.1 to tailor automated order system parameters to not exceed Marketplace Thresholds is necessary or appropriate. We ask for further feedback on this issue in Section 7 of this Notice.

6. Technological Implications and Implementation Plan

6.1. Technological Implications on Marketplaces

If the Proposed Guidance is adopted, all marketplaces:

- would need to adopt control mechanisms to implement Marketplace Thresholds that would preclude the execution of orders outside the prescribed price parameters, as well as the ability to override the control mechanisms;
- using "freeze parameters" would, at a minimum, have to ensure that their functionality either permits order entry and cancellation during the period of the freeze or otherwise ensures that the initial trade following the lifting of the freeze is at or within the best bid price and the best ask price at that time;
- using "reject" or "re-price" functionality would, at a minimum, have to ensure they have the ability to either re-price the balance of any order to the threshold price or cancel the balance of any order that has not traded prior to hitting the threshold price

and send a message to the originator of the order indicating the reason for the re-price or cancellation.

We understand that building control mechanisms to implement the proposed Marketplace Thresholds would require technological resources from marketplaces. However, we believe that minimum requirements on marketplaces is a reasonable way to mitigate electronic trading risks across the industry and that it is appropriate for each marketplace to meet minimum standards to fulfill their role in the risk mitigation process.

6.2. Technological Implications on Other Stakeholders

Should IIROC continue to think that the obligation under Part 8 of UMIR Policy 7.1 for Participants and Access Persons to tailor the order parameters of each automated order system to not exceed Marketplace Thresholds is appropriate, we believe that the Proposed Guidance would have moderate technological implications for Participants and Access Persons. If it is determined that this obligation is no longer appropriate, we do not foresee any material technological implications for Participants and Access Persons.

6.3. Implementation Plan

After considering the comments received in response to the Proposed Guidance, IIROC will issue final Guidance. IIROC would expect that the Guidance would be effective on a date set out in the Rules Notice that is ***at least*** 180 days following the publication of the notice. All marketplaces would be expected to have implemented Marketplace Thresholds consistent with the Guidance by the effective date.

Following the issuance of the Guidance, IIROC expects to meet with each of the marketplaces to discuss any changes the marketplace intends to make, or may be required to make, to its systems in order to comply with the Guidance, including the level of disclosure that the marketplace intends to make on its website regarding its control mechanism(s) to implement the Marketplace Thresholds and any tighter controls it is planning to use.

7. Specific Questions

While comment is requested on all aspects of the Proposed Guidance, IIROC specifically requests comment on the following questions:

1. IIROC has endeavoured to structure the Proposed Guidance such that its implementation would have minimal technological implications for Participants, Access Persons, the Information Processor, and service providers. Has IIROC achieved this objective? If not, what suggestions might we consider to better achieve the desired result?

2. One of the perceived benefits of harmonization would be greater predictability. The Proposed Guidance does not propose instituting a uniform control mechanism that all marketplaces should use to implement Marketplace Thresholds. Should a uniform

control mechanism for marketplaces be proposed or would the prescribed threshold levels and Guiding Principles adequately ensure the operation of a fair and orderly market and provide sufficient predictability? Are there other benefits to harmonization of marketplace control mechanisms?

3. Is the approach of using both an NLSP reference price and a One-Minute Reference Price appropriate?

4. Is the one minute increment proposed for the One-Minute Reference Price appropriate? If not, why not and should the one minute increment be increased or decreased instead? Is there an alternative reference price that would better address erroneous orders that are part of a series of orders that have been generated from the same source over a very short period of time or are part of a series of stop-loss orders?

5. Is it appropriate not to extend Marketplace Thresholds to Opening Orders and Market-on-Close Orders? Are there any other order types that should not be subject to Marketplace Thresholds?

6. Is it appropriate that the first trade in a security on a particular trading day in Canada and the first trade in a security in Canada after a regulatory trading halt are not subject to Marketplace Thresholds?

7. Is the requirement in Part 8 of Policy 7.1 for an Access Person or Participant to ensure that order parameters of every automated order system it or any client uses are tailored to not exceed specific Marketplace Threshold levels necessary or appropriate?

8. IIROC is proposing that the implementation date be at least 180 days following the publication of the final Guidance. Is this time period sufficient to make any necessary technological changes? Are there any specific considerations which IIROC should take into account in establishing an implementation deadline?

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Rules Notice
Guidance Note
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Please distribute internally to:
Legal and Compliance
Trading

Contact:
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e-mail: sguptabhaya@iiroc.ca

15-00**
****, 2015**

Guidance on Marketplace Thresholds

Executive Summary

This Guidance, which is effective on * *, 2015, establishes the operation of price thresholds beyond which orders must be prevented from trading ("Marketplace Thresholds"). Each marketplace in Canada that has retained IIROC as its regulation services provider must build a mechanism to implement the Marketplace Thresholds.

Marketplace Thresholds operate as part of a multi-tiered approach to preventing erroneous orders and controlling short-term, unexplained price volatility. The Marketplace Thresholds are based on principles focused on reducing the need for regulatory intervention, limiting regulatory burden on industry stakeholders, and supporting the market-wide operation of the price discovery mechanism.

The Guidance confirms that Marketplace Thresholds:

- are required on each marketplace that has retained IIROC as its regulation services provider;
- apply during core trading hours of 9:30 a.m. to 4:00 p.m. ET;
- set specific price thresholds beyond which a marketplace may not execute an order unless consented to by a Market Integrity Official;
- will measure against two reference prices: the national last sale price and the national last sale price established at one-minute intervals;
- need not include controls on the volume of an order;
- apply to all orders except for: a Basis Order, a Closing Price Order, a Special Terms Order, a Volume-Weighted Average Price Order, an Opening Order and a Market-on-Close Order;
- apply to an order received by a marketplace as a directed-action order ("DAO"); and
- should be publicly disclosed (at least on the website of the marketplace) as to the functionality of the control mechanism(s) used to implement the Marketplace Thresholds.

Rules Notice – Table of Contents

1. Provision for Marketplace Thresholds

Section 8 of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* ("Electronic Trading Rule") provides that a "marketplace must not permit the execution of orders for exchange-traded securities to exceed the price and volume thresholds" set by the marketplace or, if the marketplace has retained a regulation services provider, its regulation services provider. Since all marketplaces trading listed securities and quoted securities in Canada have retained IIROC to be their regulation services provider, the thresholds would be established by IIROC.[17]

2. Principles Guiding Marketplace Thresholds

IIROC has established three guiding principles to help ensure Marketplace Thresholds effectively control price movement and can be appropriately integrated into a multi-tiered approach for the control of short-term volatility and the prevention of erroneous orders.[18]

2.1. Application Prior to Level of Volatility for Regulatory Intervention

The prescribed parameters of Marketplace Thresholds have been chosen to generally preclude the execution of an order that would otherwise trigger regulatory intervention in the form of a Single-Stock Circuit Breaker ("SSCB")[19] or the application of IIROC's policies and procedures for the variation or cancellation of trades ("Unreasonable Trade Policy"). The circumstances when a SSCB would be triggered for a security are set out in IIROC Notice 14-0170 – *Guidance Respecting the Expansion of Single-Stock Circuit Breakers* (July 10, 2014). The Unreasonable Trade Policy sets out the circumstances when IIROC would not intervene and identifies the factors that would be taken into account when IIROC would exercise its discretion to intervene for the cancellation or variation of trades.[20]

The operation of Marketplace Thresholds has been designed to preclude the execution of an order that exceeds the prescribed parameters and is:

- a single active order received by the marketplace;
- part of a series of orders for a particular security, the preponderance of which have been generated from the same source (e.g. the same "Trader ID") over a very short period of time; or
- one of a series of stop-loss orders for a particular security that are held by the marketplace for processing which have been triggered at the same time or in succession over a very short period of time.

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17 If IIROC ceases to be the regulation services provider for any marketplace trading listed or quoted securities, subsection 8(2) of the Electronic Trading Rule would require IIROC to coordinate the thresholds with the other regulation services providers and any Exchanges or QTRSs that perform their own market integrity regulation.

18 See Section 2.1 – *Controlling Unexplained Price Volatility* in IIROC Notice 14-0089 – Request for Comments – *Proposed Guidance on Marketplace Thresholds* (April 3, 2014).

19 For details on the current operation of Single-Stock Circuit Breakers, see IIROC Notice 14-0170 – Guidance Note – *Guidance Respecting the Extension of Single-Stock Circuit Breakers* (July 10, 2014).

20 The Unreasonable Trade Policy is set out in IIROC Notice 12-0258 – Guidance Note – *Guidance on Regulatory Intervention for the Variation or Cancellation of Trades* (August 20, 2012).

2.2. Minimum Impact on Price Discovery and Access to “Tradable” Liquidity

While specific Marketplace Threshold levels are prescribed in this Guidance, the control mechanism that a marketplace may employ to implement the Marketplace Thresholds is not. IIROC believes that it is beneficial for a marketplace to have flexibility in choosing the control mechanism that best suits its platform and customers; however there are a number of principles that a marketplace’s control mechanism should follow in order to preserve a fair and orderly market. One such principle is that the control mechanism should have the least amount of impact that is practical on the market-wide operation of the price discovery mechanism and access to “tradable” liquidity.

As well, the control mechanism should not exacerbate price movement during periods of rapid market volatility by:

- preventing access to orders that would otherwise be able to execute at “acceptable” prices; or
- redirecting “unacceptable” orders to other marketplaces or returning the orders to a smart order router for re-entry on another marketplace.

We note that if the control mechanism used to implement the Marketplace Thresholds simply rejects offending orders, that mechanism would not meet the principle of not exacerbating price movement during periods of rapid market volatility. Amending the functionality to provide a message as to the reason for the rejection however, would meet this principle.

As well, the execution of offending orders could equally be precluded by executing the order to the limit provided by the Marketplace Thresholds with the balance of the order either re-priced and booked as a limit order at that price or cancelled with a message sent to the originator of the order indicating the reason for the re-price or cancellation. Upon the Participant or Access Person that entered the order receiving notice that an order or a portion of an order had been re-priced or cancelled, the Participant or Access Person is given the opportunity to review the order to ensure that its re-entry would not interfere with a fair and orderly market and not contravene requirements set under Policy 7.1.

2.3. Minimum Imposition of Regulatory Burden on Other Entities

The control mechanism adopted by a marketplace should, to the greatest extent possible, not impose a regulatory burden (including the need for technological changes) on other marketplaces or on service providers, regulation services providers, information processors, Participants and Access Persons so that these entities are not unnecessarily burdened by the introduction of a Marketplace Threshold control mechanism.

3. Elements of Marketplace Thresholds

3.1. Prescribed Marketplace Thresholds

3.1.1. Threshold Levels

Until changed with the issuance of further guidance, the following table sets out the price parameters for Marketplace Thresholds:

Class of Security	Price Category of Security	Threshold Level
Securities not subject to SSCBs	0.00 > - < .50	300%
	.50 ≥ - < 1.00	50%
	1.00 ≥ - < 5.00	30%
	5.00 ≥ - < 10.00	20%
	10.00 ≥ - < 30.00	15%
	30.00+	10%
Exchange-listed Debt	All price categories	20%
Exchange-Traded Funds	All price categories	10%
Securities subject to SSCBs[21] (excluding Exchange-Traded Funds)	All price categories	10%

A Marketplace Threshold is to be triggered for a particular security when an order is received by a marketplace that, if executed, would exceed the prescribed threshold level.

In setting specific Marketplace Thresholds, IIROC is not limiting its ability to bring forth enforcement action with respect to trading activity that may have occurred within the prescribed thresholds but is still considered to be in contravention of IIROC rules.

[21] See http://www.iiroc.ca/industry/rulebook/Pages/SSC-Breakers.aspx for a daily list of securities that are subject to SSCBs.

3.1.2. Reference Prices

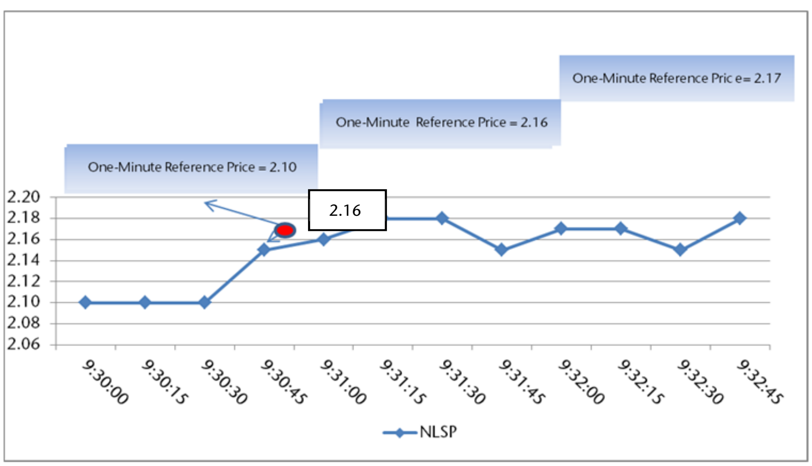
For the purposes of determining a price increase or decline, a marketplace must compare each order of a security to be traded on the marketplace to two reference prices:

1. the national last sale price[22] of that security on that particular trading day ("NLSP"); and
2. the national last sale price of that security that occurred on the most recent minute interval ("One-Minute Reference Price"). For example: at 10:00:00 the One-Minute Reference Price would be the value of the NLSP at 10:00:00 and remains constant for one minute until it is updated at the next minute increment at 10:01:00. Therefore, the value of the One-Minute Reference Price at 10:01:08 is the value of the One-Minute Reference Price that was established at 10:01:00 and does not change, regardless of any orders that are executed, until it is reset at 10:02:00 to the value of the NLSP at 10:02:00.

If an order, on execution, would trade at a price that exceeds the prescribed threshold level measured against either of these reference prices, the marketplace must preclude the execution of the offending order.

Below are a number of examples that highlight the interplay of the NLSP and One-Minute Reference Price bands to create the Marketplace Thresholds that will be used to preclude offending orders from execution.

Example A



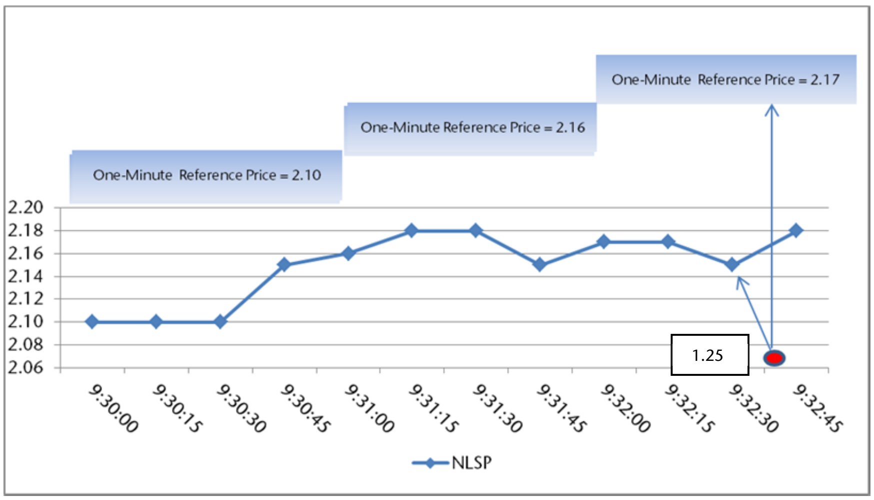
22 UMIR defines "last sale price" as the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is:
(a) a Basis Order;
(b) a Call Market Order;
(c) a Closing Price Order;
(d) a Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order; or
(e) a Volume-Weighted Average Price Order.

Order received at 9:30:50 ($2.16)
Measured against NLSP ($2.15) +/- 30%. NLSP price band is $1.51 - $2.80.
Order price is within the Marketplace Threshold.
Measured against One-Minute Reference Price ($2.10) +/- 30%. One-Minute Reference Price band is $1.47 - $2.73.
Order price is within the Marketplace Threshold.

⬇

Order is submitted for execution.

Example B

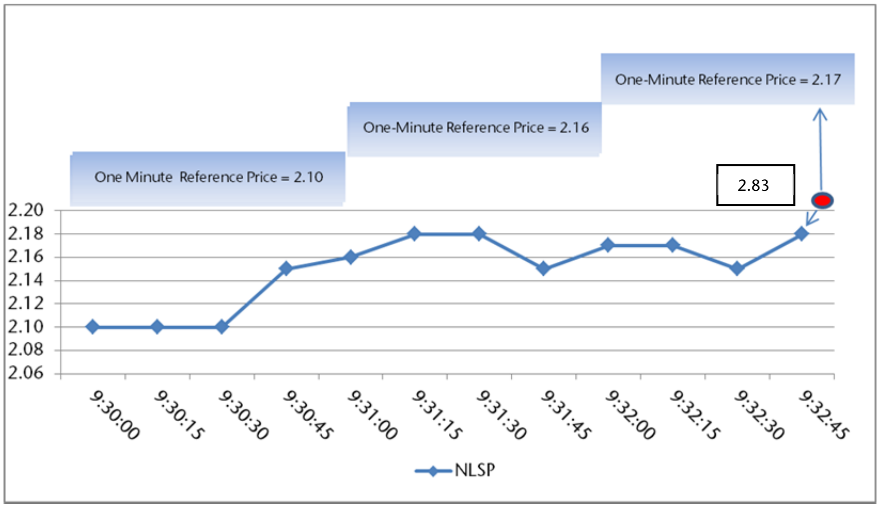


Order received at 9:32:40 ($1.25)
Measured against NLSP ($2.15) +/- 30%. NLSP price band is $1.50 - $2.80.
Order price is outside the Marketplace Threshold.

⬇

The order does not need to be checked against the One-Minute Reference Price as execution is prohibited when measured against the NLSP.

Example C



Order received at 9:32:50 ($2.83)

Measured against NLSP ($2.18) +/- 30%. NLSP price band is $1.53 - $2.83.

Order price is within the Marketplace Threshold.

Measured against One-Minute Reference Price ($2.17) +/- 30%. One-Minute Reference Price band is $1.52 - $2.82.

Order price is outside the Marketplace Threshold and order execution is prohibited.

3.1.3. Price Category Determination

The price category of a security will be based on the last NLSP of that particular security on the immediately preceding trading day. For a newly listed security, we expect the listing exchange to send a notice by the evening prior to the first trading day of the security to all other marketplaces indicating the initial price category for that security. We expect this process to be similar to current practice for determining the price at which a newly listed security will trade for the purposes of calculating a "standard trading unit" for that security.

3.1.4. Hours of Operation

Marketplace Thresholds are to operate at the prescribed levels during the core trading hours of 9:30 a.m. to 4:00 p.m. ET.

3.1.5. First Trade Exempt from Thresholds

The first trade of each trading day in a particular security in Canada will set the initial NLSP but will not be subject to Marketplace Thresholds. Similarly, the first trade in a particular security in Canada after the lifting of a regulatory trading halt will not be subject to Marketplace Thresholds.

3.1.6. Threshold Override

There may be instances when it is appropriate for an order to be executed outside of the prescribed Marketplace Thresholds. To address this situation, it is expected that marketplaces build their control mechanisms with the ability to override the system such that an order that would otherwise be prevented from trading could be permitted to execute. This feature is to be used by a marketplace only upon instruction or prior consent from a Market Integrity Official in order to maintain fair and orderly markets.

3.2. No Requirement for Volume Controls

Because of the specific obligations imposed on Participants and Access Persons to have automated controls prior to order entry[23] and the difficulty to accurately determine an order volume that would be appropriate for a particular Participant or Access Person, IIROC does not believe at this time that a volume control by itself should form part of the Marketplace Threshold regime. Nonetheless, under NI 23-103 a marketplace is required to regularly assess whether it requires any risk management and supervisory controls, policies and procedures relating to electronic trading[24] and in so doing may introduce volume controls.

3.3. Application to All Marketplaces

Each marketplace in Canada that has retained IIROC as its regulation services provider must adopt Marketplace Thresholds. Since it is possible on all marketplaces for dark orders to execute at prices outside of the Marketplace Threshold parameters if the national best bid and offer are wide enough, it is important that Marketplace Thresholds are implemented on all marketplaces, including dark marketplaces, so that short-term volatility and erroneous orders are effectively addressed.

3.4. Orders Subject to Marketplace Thresholds

Marketplace Thresholds apply to all orders except for the following: a Basis Order, a Closing Price Order, a Special Terms Order, and a Volume-Weighted Average Price Order.[25] These order types do not set last sale price, therefore we believe that these orders do not need to be subject to Marketplace Thresholds.

In addition, Marketplace Thresholds do not apply to Opening Orders or Market-on-Close orders. There may be instances where the execution of an Opening Order in a security may be delayed, and the price of an Opening Order may be materially different from a trade in that

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23 UMIR Policy 7.1, Part 7
24 Subsection 7(1) of NI 23-103
25 Reference should be made to Rule 1.1 of UMIR for the definitions of these order types.

security that took place earlier that trading day on another marketplace such that the Opening Order price could trigger a Marketplace Threshold. Not applying Marketplace Thresholds to Opening Orders and Market-on-Close Orders will ensure that they may be executed at their calculated prices. We note however, that the price of an Opening Order or Market-on-Close Order can be used to set the NLSP for the purposes of Marketplace Threshold calculations.

3.5. Application of Marketplace Thresholds to Directed-Action Orders

DAOs are subject to Marketplace Thresholds.[26] While a DAO is an instruction to the receiving marketplace to immediately execute the order without reference to the prices of orders on other marketplaces, Marketplace Thresholds will prevent the execution of a DAO that exceeds the prescribed price parameters.

3.6. Transparency of Marketplace Threshold Functionality

IIROC expects that each marketplace will publicly disclose, at least on the website of the marketplace, a detailed description of the functionality of the control mechanism(s) it uses to implement the Marketplace Thresholds. The description should provide specific examples of how an order that triggers a Marketplace Threshold will be handled by the marketplace.
Transparency of Marketplace Threshold functionality provides certainty to Participants and Access Persons as to how an order that exceeds Marketplace Thresholds will be treated by a marketplace.

3.7. Other Marketplace Controls

We note that the above thresholds are the minimum price levels whereby a marketplace must preclude the execution of an order for a listed or quoted security. However, a marketplace is not prohibited from implementing tighter price levels and introducing other controls to address the risks of electronic trading that take place on its platform or to provide an additional customer service offering. We would expect that this type of functionality would be submitted for review by statutory regulators prior to operation and would be publicly and clearly disclosed on the website of the marketplace.

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26 Under National Instrument 23-103 *Trading Rules*, a "directed-action order" means a limit order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace is to be immediately
  (i) executed against a protect order with any remained to be booked or cancelled; or
  (ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered or routed at the same time as one or more additional limit orders that are entered on or routed to one or more marketplaces, as necessary, to execute against any protected order with a better price than the order referred to in paragraph (a).

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Appendix B - Comment Summary

Comments Received in Response to Rules Notice 14-0089 – Rules Notice – Request for *Comments – UMIR– Proposed Guidance on Marketplace Thresholds* (April 3, 2014)

On April 3, 2014, IIROC issued Notice 14-0089 requesting comments on Proposed Guidance on Marketplace Thresholds ("2014 Request"). IIROC received comments in response to the 2014 Request from:

Canadian Securities Traders Association, Inc. ("CSTA")

Investment Industry Association of Canada ("IIAC")

TSX Markets ("TMX")

A copy of the comment letters received in response to the 2014 Request is publically available on the website of IIROC at www.iiroc.ca. The following table presents a summary of the comments received on the 2014 Request together with the responses of IIROC to those comments. Column 1 of the table reproduces the text of the 2014 Request.

2014 Request	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
Executive Summary This Guidance, which is effective on * *, 2014, sets out a framework for the establishment and operation of price thresholds by each marketplace in Canada ("Marketplace Thresholds"). The Guidance is based on three principles: • Marketplace Thresholds should operate to generally preclude the execution of orders at prices that would otherwise, on execution, require regulatory intervention by IIROC on the triggering of a Single-Stock Circuit Breaker ("SSCB")[1] or the application of		

[1] For details on the current operation of Single-Stock Circuit Breakers, see IIROC Notice 14-0170 – Guidance Note – UMIR – *Guidance Respecting the Extension of Single-Stock Circuit Breakers* (July 10, 2014).

2014 Request	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
IIROC's policies and procedures for the variation and cancellation of trades ("Unreasonable Trade Policy").[2] • The volatility control mechanism used by a marketplace should have the least amount of impact that is practical on the market-wide operation of the price discovery mechanism and access to "tradable" liquidity. • The introduction or amendment of Marketplace Thresholds by a marketplace should, to the greatest extent possible, not impose a regulatory burden (including the need for technological changes) on other marketplaces or on service providers, regulation services providers, information processors, Participants and Access Persons. In addition, the Guidance confirms that Marketplace Thresholds: • need not include controls on the volume of a trade that would not unduly impact the market price; • would only be required on "protected marketplaces"; • should apply to all orders that, on execution, would be able to set the "last sale price"; • regardless of the functionality used, should not preclude the operation of a Market-on-Close ("MOC") facility or the eligibility of the particular security to trade on the marketplace pursuant to a Closing Price Order; • should apply to an order received by a marketplace as a "directed-action order" ("DOA"); and • should be publicly disclosed (at least on the website of the marketplace as to the functionality of the Marketplace Thresholds). ***The Guidance establishes a framework under which each marketplace is able to adopt Marketplace Thresholds that are appropriate for the type***		

[2] IIROC Notice 12-0258 - Rule Notice – Guidance Note – UMIR - *Guidance on Regulatory Intervention for the Variation or Cancellation of Trades* (August 20, 2012).

2014 Request	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
of trading on that marketplace. As such, the Guidance does not prescribe levels of price movement at which the Marketplace Thresholds must preclude trading activity other than the requirement that they operate to generally preclude the execution of orders at prices that would otherwise trigger regulatory intervention by IIROC.		
1. Provision for Marketplace Thresholds Section 8 of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* ("Electronic Trading Rule") provides that a "marketplace must not permit the execution of orders for exchange-traded securities to exceed the price and volume thresholds" set by the marketplace or, if the marketplace has retained a regulation services provider, its regulation services provider. Since all marketplaces trading listed securities and quoted securities in Canada have retained IIROC to be their regulation services provider, the thresholds would be established by IIROC.[3] The Guidance establishes a framework under which each marketplace is able to adopt Marketplace Thresholds that are appropriate for the type of trading on that marketplace. As such, the Guidance does not prescribe levels of price movement at which the Marketplace Thresholds must preclude trading activity other than the requirement that they operate to generally preclude the execution of orders at prices that would otherwise trigger regulatory intervention by IIROC.		

[3] If IIROC ceases to be the regulation services provider for any marketplace trading listed or quoted securities, subsection 8(2) of the *Electronic Trading Rule* would require IIROC to coordinate the thresholds with the other regulation services providers and any Exchanges or QTRSs that perform their own market integrity regulation.

2014 Request	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
2. Principles Guiding Marketplace Thresholds IIROC has established three guiding principles for marketplaces to evaluate whether a particular mechanism for controlling price movement is effective and can be appropriately integrated into a multi-tiered approach for the control of short-term volatility.[4] ***2.1. Application Prior to Level of Volatility for Regulatory Intervention*** In the ordinary course, Marketplace Thresholds should preclude the execution of an order that would otherwise trigger regulatory intervention in the form of a SSCB or trade variation or cancellation under the Unreasonable Trade Policy. IIROC recognizes that each marketplace will be well aware of when a SSCB would be triggered for a security. On the other hand, the Unreasonable Trade Policy clearly sets out the circumstances when IIROC would **not intervene** but only identifies the factors that would be taken into account when IIROC would exercise its discretion to intervene for the cancellation or variation of trades. The liquidity profile of many of the securities that are not covered by SSCBs is such that the measurement of price movement over a short period of time is extremely problematic. For this reason, IIROC recognizes that any Marketplace Thresholds that may apply to these securities may be triggered based on price movement from the last sale price or the closing price on the prior trading day. For these securities, any Marketplace Threshold might trigger at a price level which is in excess of the movement that would trigger a SSCB. At a minimum, Marketplace Thresholds should be designed to preclude the execution of an order that would move the market more than an acceptable amount and that order is: • a single active order received by the marketplace; • part of a series of orders for a particular security, the preponderance of which have been generated from the same source (e.g. the same "Trader ID") over a very short period of time	**CSTA** – Comment that all marketplaces should be subject to common thresholds designed to prevent the need for regulatory intervention. Also believe that all Exchanges and marketplaces should be required to harmonize their Marketplace Threshold mechanisms.	IIROC agrees that harmonized thresholds have the benefit of being easily understood by market participants and that market integrity may be better served when there is a higher degree of predictability as to when Marketplace Thresholds will be triggered. We have therefore proposed common price thresholds that would apply across marketplaces. IIROC does not believe that it is necessary to prescribe the mechanism to be used by a marketplace when implementing the Marketplace Thresholds. Each marketplace will describe the control mechanism that it will use in order for Participants and Access Persons to understand how their orders will be handled by the marketplace. This will provide certainty to stakeholders but will also provide flexibility to marketplaces to adopt control mechanisms that they believe are most appropriate for their marketplace.

4 See Section 2.1 – *Controlling Unexplained Price Volatility* in IIROC Notice 14-0089 - Rules Notice Request for Comments – UMIR – *Proposed Guidance on Marketplace Thresholds* (April 3, 2014)

2014 Request	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
(e.g. one minute or less); or • one of a series of stop-loss orders for a particular security that are held by the marketplace for processing which have been triggered at the same time or in succession over a very short period of time (e.g. a few seconds or less).		
2.2. Minimum Impact on Price Discovery and Access to "Tradable" Liquidity The control mechanism used by a marketplace should have the least amount of impact that is practical on the market-wide operation of the price discovery mechanism and access to "tradable" liquidity. The application of Marketplace Thresholds should not exacerbate price movement during periods of rapid market volatility by: • preventing access to orders that would otherwise be able to execute at "acceptable" prices; or • redirecting "unacceptable" orders to other marketplaces or returning the orders to a smart order router for re-entry on another marketplace. As an administrative matter, IIROC has treated the initial trade following the release of "freeze" parameters to be akin to an "Opening Order" and therefore not subject to compliance with the Order Protection Rule under Part 6 of National Instrument 23-101 ("Order Protection Rule"). IIROC has modified its administrative interpretation such that if the functionality of the Marketplace Thresholds:		

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• permits order entry, variation and cancellation during the period when execution is precluded, the initial execution following the resumption of trading would continue to be treated as akin to execution of an Opening Order; or • does not permit order entry, variation and cancellation during the period when execution is precluded, the initial execution following the resumption of trading could not be at a price which is less than the best bid price or higher than the best ask price at the time of the execution.		
2.3. Minimum Imposition of Regulatory Burden on Other Entities Under the third principle for Marketplace Thresholds, the functionality adopted by a marketplace should, to the greatest extent possible, not impose a regulatory burden (including the need for technological changes) on other marketplaces or on service providers, regulation services providers, information processors, Participants and Access Persons. If the functionality of the Marketplace Thresholds simply rejects offending orders, that mechanism would not meet the second principle outlined above. Amending the functionality to provide a message as to the reason for the rejection would require systems changes by various market participants. In the view of IIROC, the execution of offending orders could equally be precluded under Marketplace Thresholds that execute the order to the limit provided by the Marketplace Threshold with the balance of the order either "re-priced" and booked as a limit order at that price or cancelled. Use of these options would not require any programming changes by other market participants. Upon the Participant or Access Person that entered the order receiving notice that a portion of the order had been re-priced or cancelled, UMIR requires that the Participant or Access Person not simply "regenerate" the balance of the order but review the order to ensure that its re-entry would not interfere with a "fair and orderly" market in a manner that		

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may give rise to regulatory intervention by IIROC to vary or cancel any resulting trades.[5] Notwithstanding this third principle, IIROC expects that the regulatory feed containing order and trade information which is provided to IIROC by each marketplace will indicate an order which has triggered the Marketplace Threshold and each order which has been precluded from execution (including by reason of being frozen, re-priced or cancelled). By monitoring this information on the regulatory feed, IIROC may determine whether multiple marketplaces are experiencing at the same time a problem with a particular security. This may be indicative that trading is no longer fair and orderly such as when trading activity may be occurring on the basis of material information that has not been properly disclosed to the market. In these types of circumstances, IIROC may exercise it discretionary power to impose a regulatory trading halt pursuant to Rule 9.1 of UMIR.		
3. Guidance on Specific Elements of Marketplace Thresholds ***3.1. No Requirement for Volume Controls*** IIROC is of the opinion that an order, the execution of which will not significantly impact the market price, should not necessarily be restricted under Marketplace Thresholds from execution because of the volume of the order. Effective March 1, 2013, Part 7 of Policy 7.1 of UMIR requires that a Participant or Access Person have automated controls to examine each order before entry on a marketplace to prevent the entry of an order that would result in: • the Participant or Access Person exceeding pre-determined credit or capital thresholds; • a client of the Participant exceeding pre-determined credit or other limits assigned by the Participant to that client; or • 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.		

5 See Part 7 of Policy 7.1. See in this Notice section 2.2 *Obligations of Participants and Access Persons* and section 2.4 *Power for Regulatory Halts in Canada.*

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Because of the specific obligations imposed on Participants and Access Persons to have automated controls prior to order entry and the inability of a marketplace to accurately determine what volume would be "appropriate" for a particular Participant or Access Person, IIROC does not believe at this time that a "volume" control by itself should be included in any Marketplace Threshold regime adopted by a marketplace. Nonetheless, a marketplace may include a volume control in its Marketplace Thresholds if the marketplace so determines.		

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3.2. Application Limited to a "Protected Marketplace" IIROC believes that only a "protected marketplace"[6] must have adopted Marketplace Thresholds.[7] Given that orders must generally execute on a non-protected marketplace at a "better price" than the best ask price and best bid price, IIROC is of the view that there are limited opportunities for a trade to be executed on a non-protected marketplace at an unacceptable price level. Nonetheless, if a "non-protected" marketplace adopts a volatility control mechanism, that mechanism should comply with this Guidance.		

[6] UMIR defines a "protected marketplace" as a marketplace that:

- disseminates order data in real-time and electronically to the information processor or one or more information vendors in accordance with the Marketplace Operation Instrument;
- permits dealers to have access to trading in the capacity as agent;
- provides fully-automated electronic order entry; and
- provides fully automated order matching and trade execution.

[7] Similarly, if a protected marketplace offers a separate facility that operates as a "dark pool", orders entered on the separate "dark pool" need not be subject to Marketplace Thresholds provided orders entered on the dark pool that do not execute are not forwarded to any transparent facility of the marketplace.

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3.3. Application to Orders that Could Establish "Last Sale Price" Marketplace Thresholds should be designed to apply to any order received by the marketplace that on execution would establish the "last sale price"[8] In particular, this means that an order entered as an Opening Order or a Market-on-Close Order would be subject to some form of volatility control. IIROC recognizes that the mechanism which a marketplace may apply to Opening Orders or Market-on-Close Orders may not apply to individual orders but rather to the movement in the execution price of all Opening Orders or Market-on-Close Orders from an appropriate reference price.		
3.4. No Impact on Market-on-Close Orders or Closing Price Orders Marketplace Thresholds should be designed in such a manner that the application of the Marketplace Thresholds do not preclude or otherwise affect the operation of any MOC facility or the eligibility of the particular security to trade on a marketplace pursuant to Closing Price Orders.		

8 UMIR defines "last sale price" as the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display but does not include the price of a sale resulting from an order that is:
(a) a Basis Order;
(b) a Call Market Order;
(c) a Closing Price Order;
(d) a Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order; or
(e) a Volume-Weighted Average Price Order.

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3.5. Application of Marketplace Thresholds to "Directed-Action Orders" Marketplace Thresholds should be designed to apply to an order received by a marketplace that is a DAO.[9] While a DAO is often considered an instruction to the receiving marketplace to immediately execute the order without reference to the prices of orders on other marketplaces, it is possible that as a result of the application of Marketplace Thresholds, executions will be prevented that would otherwise be required in order to move the market price to a level that would be necessary to facilitate execution on another marketplace without "trading through". If the Marketplace Threshold precludes the execution of a DAO, the Participant or Access Person that entered the order will have an obligation to re-enter the balance of the order or otherwise authorize its execution in order to comply with the requirements of the Order Protection Rule.		

9 Under National Instrument 23-103 *Trading Rules*, a "directed-action order" means a limit order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace is to be immediately

(i) executed against a protect order with any remained to be booked or cancelled; or

(ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered or routed at the same time as one or more additional limit orders that are entered on or routed to one or more marketplaces, as necessary, to execute against any protected order with a better price than the order referred to in paragraph (a).

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3.6. Transparency of Marketplace Threshold Functionality IIROC expects that each marketplace that adopts Marketplace Thresholds will publicly disclose, at least on the website of the marketplace, an outline of the functionality of its Marketplace Thresholds. Transparency of Marketplace Threshold functionality is necessary in order to allow a Participant or Access Person to comply with its obligations under UMIR and the Electronic Trading Rule.[10] IIROC recognizes that marketplaces may design their Marketplace Thresholds to be "dynamic" and to vary for each individual security based on the historic trading patterns and liquidity for the security, or to take into account general market conditions such as increases in overall market volatility on particular trading days. As such, IIROC does not expect that disclosure will necessarily allow Participants and Access Persons to determine with accuracy when the Marketplace Thresholds would be reached for an individual security at a particular point in time on a particular trading day. Nonetheless, the disclosure of the functionality should identify whether: • the functionality applies to all listed securities traded on that marketplace (and, if not, the differences in functionality for each class or group of securities); • the same parameter that will trigger a Marketplace Threshold applies to all listed securities traded on that marketplace (and, if not, the description of each class or group of securities with a separate parameter); • there are differences in the parameters at different times during the trading day or for different types of orders; and • the marketplace retains discretion to vary the parameters during a trading day (and, if so, a description of the types of circumstances that would lead to the exercise of the discretion).		

10 In particular, reference should be made to Part 8 of Policy 7.1 which deals with specific provisions applicable to automated order systems and which provides in part:

> The scope of appropriate order and trade parameters, policies and procedures should be tailored to the strategy or strategies being pursued by an automated order system with due consideration to the potential market impact of defining such parameters too broadly and in any event must be set 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.

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A marketplace should provide specific examples of how an order that triggers a Marketplace Threshold will be handled by that marketplace.		
6. Specific Questions While comment is requested on all aspects of controlling short-term price volatility in the Canadian marketplace, IIROC specifically requests comment on the following questions: 1. IIROC is proposing that the implementation date be at least 180 days following the publication of the final Guidance. Is this time period adequate or too long? Are there any specific considerations which IIROC should take into account in establishing an implementation deadline?	**IIAC** – Comment that the appropriate implementation period will depend on the approach taken by the marketplaces and notes the implementation of TSX Quantum and the TSXV implementation, which will require considerable resources. Estimates that summer 2015 is appropriate. **TMX** – Do not believe that 180 days is sufficient given the nature of the guidance is not prescriptive. Non-prescriptive guidance will require the development of marketplace specific rules, which may include industry consultation, regulatory filings, public comment, development and testing. Marketplaces and market participants would need to prepare for same day implementation. Also comment that there are a number of other industry changes expected such as OPR rule amendments, NI 21-101 and 23-101 amendments and the integration of Aequitas marketplace that will strain resources and impose scheduling difficulties for all industry participants.	We have proposed a <u>minimum</u> of 180 days for the implementation period but we acknowledge that implementing Marketplace Thresholds will require marketplaces to use technology and operational resources that are not insignificant. We will endeavour to take other industry changes into account when determining the final implementation date.
2. The Proposed Guidance would require marketplaces to take account of a series of stop-loss orders for a particular security that are held by the	**IIAC** – Comment that stop-loss orders are the only relevant order type where Marketplace Thresholds would be applicable.	The comments are noted.

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marketplace for processing which have been triggered at the same time or in succession over a very short period of time. Are there any other types of orders that marketplaces should be specifically required to take into account in the design of their Marketplace Thresholds?	**TMX** – Orders on the TMX Group marketplaces will only trigger and trade at the specified trigger price. Comment that they are not aware of any other order types that should be taken into consideration.	The comments are noted.
3. Given the infrequency of trades in many of the securities not covered by a SSCB is such that the measurement of price movement over a short period of time is extremely problematic, IIROC has suggested that any Marketplace Threshold for these securities may be measured on price movement from the last sale price or the closing price on the prior trading day. IIROC has also suggested that any Marketplace Threshold for these securities might trigger at a price level which is in excess of the percentages and increment movement that would trigger a SSCB. Should IIROC allow marketplaces to have discretion to design their Marketplace Thresholds for these securities or should IIROC establish a lower limit at which the Marketplace Threshold should be triggered? If a limit is to be established, what percentage price movement or increment movement would be appropriate?	**CSTA** – Comment that a lower limit should be established for securities not covered by SSCBs.	The comments are noted. We have proposed harmonized thresholds for all securities.
	IIAC – Comment that there should be consistency between marketplaces and that IIROC should be responsible for setting uniform thresholds and processes. Concerned that permitting marketplaces to design their own Marketplace Thresholds for securities not covered by SSCBs may result in policy decisions based on the economics of the marketplace rather than the best interest of the market in general.	
	TMX – IIROC should provide guidance on acceptable price movements for all securities not covered by a SSCB; however marketplaces should have discretion respecting how they ensure prices stay within the prescribed tolerances and retain the ability to impose stricter limits.	
4. The Proposed Guidance would require each marketplace to publicly disclose an outline of the functionality of its Marketplace Thresholds. Are there any additional specific items that a marketplace should address in the public disclosure?	**IIAC** – Disclosure should clearly articulate what a marketplace will do with an order and include the full mechanics of the process. Any changes to methodology should be subject to public comment.	We agree and expect that public disclosure will clearly describe the functionality of control mechanisms used by marketplaces to implement the Marketplace Thresholds as well as provide specific examples of how an order that triggers a Marketplace Threshold will be handled by that marketplace.
	TMX – Public disclosure should have sufficient details, including details on functionality, parameters and any related fees such that marketplace participants can fully predict the outcome of placing an order.	

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5. The Proposed Guidance would not require a marketplace that is a "dark pool" to adopt Marketplace Thresholds based on the limitations currently in place on the execution of Dark Orders. (See section 4.3.2 *Application Limited to a "Protected Marketplace")*. Are there any circumstances that would justify the extension of the requirements for Marketplace Thresholds to non-protected marketplaces?	**CSTA and TMX** – Comment that the requirements should be expanded to include dark orders given that it is possible for a dark order to execute at price outside of the SSCB parameters if the NBBO is sufficiently wide.	We agree and have proposed that all marketplaces that have retained IIROC as a regulation services provider, including dark marketplaces, implement Marketplace Thresholds.
	IIAC - Comment that Marketplace Thresholds should apply to dark orders. Applying Marketplace Thresholds to marketplaces that offer both dark and lit orders and not to dark only marketplaces would lead to inconsistency. Marketplaces that accept "market priced" orders should be required to have safeguards in place to prevent erroneous matching prices.	
6. IIROC has endeavored to structure the Proposed Guidance on Marketplace Thresholds such that its implementation would have minimal technological implications for Participants, Access Persons, the information processor, service providers and IIROC. Has IIROC achieved this objective? If not, what suggestions might we consider to better achieve the desired result?	**CSTA** – Comment that while the proposal appears to carry minimal technological implications, questions whether minimizing technological impact excludes the best course of action to ensure the perception of fair and orderly markets is maintained. They believe the best course of action is the coordination of thresholds across all marketplaces.	We agree and have proposed the harmonized application of price thresholds across marketplaces.
	IIAC – Comment that to achieve the desired objectives, it is critical that there is consistency and uniformity in the application.	
	TMX - Comment that the Proposed Guidance will result in considerable regulatory burden. Certain aspects of the Proposed Guidance relating to the handling of orders during "freezes" and dealing with partially rejected or re-priced orders will require changes by all market participants. In regards to the protection of orders that may be traded through when a Marketplace Threshold is triggered, they believe that the costs of industry wide implementation would be significant and are not justified by the protection of a small number of	

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	orders.	
7. The Proposed Guidance would allow each marketplace to establish its own Marketplace Thresholds that are most appropriate to the type of trading undertaken on that marketplace; the alternative would be some degree of harmonization. One of the perceived benefits of harmonization would be greater predictability. However, given that the Proposed Guidance includes measures to reduce the risk exposure of Participants and Access Persons arising from "frozen" and "rejected" orders (see section 4.2.2), would this benefit justify the potential costs of harmonization (which could require marketplaces, Participants and Access Persons to modify their systems to base their actions on a common data source)? Are there other benefits to harmonization?	**CSTA** – While acknowledging that harmonization comes at a cost, comment that threshold mechanisms should be consistent across all marketplaces to ensure predictability and reduce unnecessary ambiguity. **TMX** – Believe that the benefits of marketplace flexibility to set their own measures outweigh the benefits of greater predictability that may be gained by harmonization given the distinct nature of marketplaces. Notes the cost burden associated with moving to a centralized common data source.	As mentioned above, we have proposed common price thresholds but we have not required a uniform mechanism to be used by each marketplace when adopting Marketplace Thresholds. The thresholds will require marketplaces to retain national last sale price data in order to measure order prices against the applicable reference prices and we understand that the retention of national last sale price data by a marketplace for reference purposes is not unduly burdensome. We continue to propose that each control mechanism must abide by the following guiding principles: • have the least amount of impact that is practical on the market-wide operation of the price discovery mechanism and access to "tradable" liquidity; and • to the greatest extent possible, not impose a regulatory burden (including the need for technological changes) on other marketplaces or on service providers, regulation services providers, information processors, Participants and Access Persons.
8. The Proposed Guidance would not require marketplaces to include volume controls in their Marketplace Thresholds, given the existence of controls which each Participant or Access Person must have in place to monitor not only the credit position of clients but the capital position of the Participant or Access Person. Would there be any reason to require volume controls on orders at the marketplace level if the orders are not having an impact on market prices?	**CSTA** – Comment that volume controls are not necessary, as large orders affecting prices would be captured by price controls. **IIAC and TMX** – Do not believe that volume controls are required as they are currently implemented at the Participant level.	We agree and have not proposed to introduce volume controls.

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Other Comments	**IIAC** – Comments that a Participant taking into account SSCB parameters in the setting of their controls for any automated order system is impractical and unnecessary given that this is a process undertaken at the marketplace level. Also comments that IIROC does not deal with the 10% threshold in a consistent manner as there have been many circumstances where IIROC has found it appropriate to permit price movements beyond 10%. This creates difficulty for dealers to anticipate when a triggering event will take place and to program accordingly.	The proposed Marketplace Thresholds do not mimic the calculation of SSCB thresholds and may not prevent the triggering of a SSCB in all circumstances. Since the triggering of a SSCB halts trading of a security on all marketplaces, we continue to think it is necessary that Participants and Access Persons tailor order parameters to SSCB thresholds to avoid this type of regulatory intervention. However, given the less intrusive nature of the triggering of a Marketplace Threshold which does not result in trading halt, IIROC will review whether the requirement in Part 8 of Policy 7.1 for an Access Person or Participant to tailor order parameters to specific Marketplace Threshold parameters continues to be appropriate.