

B.11

CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.1 CIRO

B.11.1.1 Canadian Investment Regulatory Organization (CIRO) – Proposed Amendments to UMIR Respecting the Reasonable Expectation to Settle a Short Sale – Request for Comment

REQUEST FOR COMMENT

CANADIAN INVESTMENT REGULATORY ORGANIZATION (CIRO)

PROPOSED AMENDMENTS TO UMIR RESPECTING THE REASONABLE EXPECTATION TO SETTLE A SHORT SALE

CIRO is publishing for comment proposed amendments (**Proposed Amendments**) to support and clarify the short selling framework under the Universal Market Integrity Rules (**UMIR**). The main objectives of the Proposed Amendments are to:

- Add a new positive requirement to have, prior to order entry, a reasonable expectation to settle on settlement date any order that upon execution would be a short sale;
- Add supervisory and gatekeeper requirements pertaining to the proposed requirement; and
- Consolidate other current provisions related to short selling into one common section in UMIR that is focused on short selling.

On December 8, 2022, the Canadian Securities Administrators (**CSA**) and the Investment Industry Regulatory Organization of Canada (**IIROC**, a predecessor organization to CIRO) published Joint CSA/IIROC Staff Notice 23-329 *Short Selling in Canada* to provide an overview of the existing regulatory landscape surrounding short selling, give an update on current related initiatives, and request public feedback on areas for regulatory consideration. The CSA and CIRO received 23 comment letters from a wide range of stakeholders, including industry associations, exchanges, dealers, issuers and individuals. On November 16, 2023, the CSA and CIRO published Joint CSA/CIRO Staff Notice 23-332 *Summary of Comments and Responses to CSA/IIROC Staff Notice 23-329 Short Selling in Canada (Joint CSA/CIRO Staff Notice 23-332)* that provided a summary of the comments received and the regulators' responses to those comments.

In Joint CSA/CIRO Staff Notice 23-332, CIRO indicated that it is working on ways to support the current short selling framework, in part by reinforcing the obligation to have a reasonable expectation to settle a short sale on settlement date. The Proposed Amendments are finalizing that work.

To provide further clarity and a more complete view of the resulting regulatory framework, CIRO simultaneously is publishing proposed guidance for comment that clarifies various current requirements related to short sales and failed trades.

The text of the Proposed Amendments is included in the CIRO Bulletin, a copy of which is also available on our website at www.osc.ca. The comment period ends on April 12, 2024.