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IIROC NOTICE

Rules Notice
Request for Comments
UMIR

Comments Due By: June 24, 2017

Please distribute internally to:
Institutional
Legal and Compliance
Senior Management
Trading Desk
Retail

Contact:

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17-0111
May 25, 2017

Re-Publication of Proposed Amendments Respecting the Reporting of Certain Trades to Acceptable Foreign Trade Reporting Facilities

Executive Summary

IIROC is re-publishing for comment proposed amendments to UMIR to allow certain trades to be reported on an acceptable foreign trade reporting facility (**Proposed Amendments**).

We originally published proposed amendments relating to acceptable foreign trade reporting facilities on April, 21, 2016[1] (**2016 Proposed Amendments**) and received four comment letters. This notice discusses the core requirements of the Proposed Amendments and the changes made to the 2016 Proposed Amendments in response to public comments received and further industry consultation.

If approved, the Proposed Amendments would:

- introduce a new definition of "acceptable foreign trade reporting facility", and

[1] See IIROC Notice 16-0082 – Rules Notice – Request for Comments - UMIR – *Proposed Amendments Respecting the Reporting of Certain Trades on Acceptable Foreign Trade Reporting Facilities (April 21, 2016).(2016 Notice)*

- add a new provision to UMIR 6.4(2) that would allow the following trades in a listed security or quoted security to be reported to an acceptable foreign trade reporting facility:
    - over 50 standard trading units **and** over $100,000 in value, or
    - originating from a contingent order related to a derivative transaction where the derivative transaction occurs outside of Canada and the trade in the listed security or quoted security is handled by the same intermediary as the derivative transaction (derivative-related contingent order).

The purpose of the Proposed Amendments is to:

- help ensure large orders have access to "upstairs" liquidity pools in the U.S. that, under current requirements, are difficult to access
- accommodate certain existing trading practices regarding multi-legged options trades.

The only difference from the 2016 Proposed Amendments is that, under the Proposed Amendments, Participants would be able to report **all** trades in listed or quoted securities originating from a derivative-related contingent order to an acceptable foreign trade reporting facility. These trades would not be subject to a volume and value threshold as was proposed in the 2016 Proposed Amendments.

If implemented, it is not expected that Participants or marketplaces will need to make changes to their systems as a result of the Proposed Amendments.

If approved, the Proposed Amendments would become effective approximately **90** days after publication of the notice of approval.

How to Submit Comments

Comments are requested on all aspects of the Proposed Amendments, including any matter which they do not specifically address. Comments on the Proposed Amendments should be in writing and delivered by ***June 24, 2017*** to:

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A copy should also be provided to the Recognizing Regulators by forwarding a copy to:

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiroc.ca. A summary of the comments contained in each submission will also be included in a future IIROC Notice.

Rules Notice - Table of Contents

1. Discussion of Proposed Amendments 5
2. Analysis 6
   - *2.1 FORM Definition 6*
   - *2.2 Comments on FORM Guidance 6*
   - *2.3 Regulation of FINRA Trade Reporting Facilities 7*
   - *2.4 Trades Below Proposed Thresholds 7*
3. Public Comments and Changes from the 2016 Proposed Amendments 8
4. Impacts 9
   - *4.1 Dealer Impacts 9*
   - *4.2 Marketplace Impacts 9*
   - *4.3 Other Impacts 9*
5. Implementation 9
6. Policy Development Process 9
   - *6.1 Regulatory Purpose 9*
   - *6.2 Regulatory Process 10*

Appendix A – Proposed UMIR Amendments 11

Appendix B – Text of UMIR to Reflect Proposed Amendments Respecting the Reporting of Certain Trades on Foreign Trade Reporting Facilities 12

Appendix C – Comment Summary and Responses 13

1. Discussion of Proposed Amendments

The Proposed Amendments would add an additional paragraph to UMIR subsection 6.4(2) to allow the following trades to be reported to an acceptable foreign trade facility:

- over 50 standard trading units **and** over $100,000 in value, or
- originating from a derivative-related contingent order.

A list of acceptable trade reporting facilities would be published on IIROC's website and would initially only include the following Financial Industry Regulatory Authority (FINRA) facilities:

- Over-the-Counter Reporting Facility (**ORF**), and
- FINRA/Nasdaq Trade Reporting Facility and FINRA/NYSE Trade Reporting Facility (collectively **TRF**).

The definition of "foreign organized regulated market" (**FORM**) in UMIR would not be amended.

An important policy objective of the Proposed Amendments is to help ensure larger, block-type orders (over 50 standard trading units and over $100,000 in value) have access to certain liquidity thatcurrently may be denied access to such liquidity given the difficulty foreign providers of this liquidity have executing such trades on a FORM. Participants have advised IIROC that they face greater challenges in finding sufficient liquidity domestically for larger-sized orders than smaller-sized orders. We are of the view that smaller-sized orders can find sufficient liquidity without relying on upstairs liquidity. Therefore smaller orders executed outside of Canada would continue to be required to be executed on a FORM.

We note that the size threshold of over 50 standard trading units and value threshold of over $100,000 would be imposed on trades rather than orders.[2] This would ensure that the trades being reported to an acceptable foreign trade reporting facility are of a large enough size to warrant the need for execution in the upstairs market.

Another important policy objective of the Proposed Amendments is to accommodate existing practices related to multi-legged option trades. We have heard from Participants that access to derivative liquidity outside of Canada is important and that, in the U.S., a contingent order related to a derivative transaction would customarily be reported to the ORF or TRF rather than be executed on a FORM. Therefore, the Proposed Amendments would allow a trade originating from a derivative-related contingent order to be reported to an acceptable foreign trade reporting facility to accommodate this practice.

[2] In contrast, UMIR 6.3 *Exposure of Client Orders* specifies the size of orders that must be displayed rather than size of trades.

The text of the Proposed Amendments is set out in Appendix "A" and a blackline of the changes is set out in Appendix "B". If approved, the Proposed Amendments would be effective approximately **90** days after the publication of the notice of approval.

2. Analysis

2.1 FORM Definition

The FORM definition was implemented with the stated objective that trades conducted by a Participant in a listed or quoted security outside of Canada should be conducted on a market that has substantially the same regulatory monitoring and dissemination of data to the public as would be present if the trade had been conducted on a marketplace in Canada.[3] Trade reporting facilities such as the TRF and ORF do not meet the definition of a FORM.

2.2 Comments on FORM Guidance

On December 15, 2014, IIROC published guidance on the definition of FORM (FORM Guidance).[4] The FORM Guidance reminded Participants that trading "off-marketplace" must be in compliance with UMIR 6.4 and, specifically, that a Participant who relies on the UMIR 6.4(2)(d) exemption to execute trades in listed securities "off-marketplace" must execute the trades on a FORM.[5]

IIROC received comments on the FORM Guidance through public comment letters and through discussions with Participants. We were also informed in discussions with a Participant that the FORM definition specifically encroaches on the two following long-standing trading practices regarding institutional orders:

1. Where the Canadian dealer works a large trade and finds the other side at a U.S. broker (essentially, the cross-border upstairs market), the U.S. broker-dealer usually matches

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[3] See Market Integrity Notice 2008-008 – Amendment Approval – *Provisions Respecting "Off-Marketplace" Trades* (May 16, 2008). At the time, it was noted the FORM definition excluded the bulletin board then known as "Pink Sheets" as well as the OTC Bulletin Board outside of the NASD operating hours and certain reporting facilities then operated by Nasdaq and the NASD.

[4] See IIROC Notice 14-0293 - *Guidance on the Definition of "Foreign Organized Regulated Market"*, December 15, 2014.

[5] UMIR defines FORM as a market outside of Canada:

(a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions;

(b) on which the entry of orders and the execution or reporting of trades is monitored for compliance with regulatory requirements at the time of entry and execution or reporting by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution or reporting of trades on that market for compliance with regulatory requirements; and

(c) that displays and provides timely information to information vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market,

but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless:

(d) the trade is required to be reported and is reported to the market forthwith following execution;

(e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and

(f) at the time of the report, timely information respecting the trade is provided to information vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

the order and reports it directly to the ORF or TRF. The U.S. broker-dealer would not typically print these trades on a FORM as this is not common industry practice in the U.S.

2. With respect to multi-legged option trades, large institutional clients will marry a put or sell a call and a market maker in the U.S. will often put a contingent derivative trade in the book and execute as agency while at the same time internalize the underlying equity and report this trade to the ORF or TRF rather than execute on a FORM. A concern was raised that if an ORF or TRF report is unavailable to a Participant, the U.S. option market maker may not be prepared to provide the derivative liquidity.

2.3 Regulation of FINRA Trade Reporting Facilities

To address the above concerns, IIROC examined whether allowing the reporting of certain executions to the ORF and TRF to accommodate these long-standing trading practices would harm market integrity and negate the original policy reasons for requiring executions to take place on a FORM.[6]

After examining FINRA's regulation of the ORF and TRF, we believe that the regulation of these trade reporting facilities is sufficiently similar to marketplace regulation in Canada such that allowing certain trades to be reported to the ORF or TRF would not negatively impact market integrity and would not contravene the original policy objective of instituting the FORM definition. Section 2.3 of the 2016 Notice provides greater detail on our review and analysis of the ORF and TRF.

2.4 Trades Below Proposed Thresholds

We would expect that a trade that does not meet the proposed threshold of greater than 50 standard trading units and over $100,000 in value or does not originate from a derivative-related contingent order would continue to be required to execute on a FORM when Participants rely on the UMIR 6.4(2)(d) exemption. We also note that the bundling of separate orders to meet the trade threshold would not be acceptable. Each Participant must therefore ensure that its executions outside of Canada comply with UMIR 6.4 requirements for these types of trades.

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[6] The FORM definition was implemented in part to ensure trades conducted by a Participant in a listed or quoted security outside of Canada would be conducted on a market that has substantially the same regulatory monitoring as would be present if the trade had been conducted on a marketplace in Canada.

3. Public Comments and Changes from the 2016 Proposed Amendments

We received four comment letters on the 2016 Proposed Amendments. A summary of the public comments received together with our responses is found at Appendix "C".

Certain commenters recommended that all forms of derivative-related contingent orders, regardless of size or value, be allowed to be reported to an acceptable foreign trade reporting facility. A commenter cited the following concerns with the proposed threshold on derivative-related contingent orders:

- the equity trade originated from a derivate transaction cannot be used to gauge the total value of the transaction
- the proposed exemption would prevent Canadian investors from trading covered call and other related option strategies in the U.S. market.

Based on our review of these comments and further discussions with industry representatives, we believe allowing all trades originating from a derivative-related contingent order to be reported to an acceptable foreign trade reporting facility would meet our policy objective of accommodating existing practices related to multi-legged option trades. As a result, we have incorporated this change in the Proposed Amendments.

We also received comments that the proposed changes should allow all trades to be reported to an acceptable foreign trade reporting facility. Given that the policy objective of the threshold is to ensure larger, block-type orders have access to certain liquidity that under current requirements may be difficult to access, we do not believe it would be appropriate to remove the threshold completely. Therefore, the threshold in this instance remains identical to that included in the 2016 Proposed Amendments.

We also received comments recommending that IIROC allow retail accounts denominated in U.S. dollars to be excluded from the application of the FORM guidance, while others recommended the full withdrawal of the FORM Guidance. We carefully considered these comments but we will not be making any changes to the FORM definition at this time. We believe that this is appropriate given we:

- have no broad evidence of difficulties in executing small orders in Canada
- maintain the view that the dark rule framework is designed to encourage and honour lit prices on the Canadian market and should be respected
- maintain the view that investors should be protected by ensuring that they trade on a market that has substantially the same regulatory structure and oversight, and dissemination of data to the public, as would be present if the trade had been conducted on a marketplace in Canada.

Therefore, we expect each Participant to ensure that its executions outside of Canada comply with UMIR 6.4 requirements.

4. Impacts

4.1 Dealer Impacts

The most significant impact of the adoption of the Proposed Amendments would be to allow a trade over 50 standard trading units and over $100,000 in value or a trade originating from a derivative-related contingent order to be reported to the ORF or TRF, which would ensure that Canadian investors may continue to access the large upstairs market liquidity pool in the U.S.

Participants would need to review current practices relating to the execution of smaller-sized orders outside of Canada for compliance with UMIR 6.4, specifically to ensure that such orders are executed on a market that meets the FORM definition.

4.2 Marketplace Impacts

We do not anticipate the Proposed Amendments to have any impact on marketplaces.

4.3 Other Impacts

Changes to IIROC's compliance operations may be required.

5. Implementation

We do not anticipate any technological implications on Participants or marketplaces as a result of the Proposed Amendments. If approved, the Proposed Amendments would become effective approximately **90** days after publication of the notice of approval.

6. Policy Development Process

6.1 Regulatory Purpose

The Proposed Amendments would:

- ensure Participants that wish to execute a large trade (over 50 standard trading units and over $100,000 in value) or a trade originating from a contingent order related to a derivative transaction occurring outside of Canada and handled by the same intermediary have access to liquidity that, under current UMIR requirements, is difficult to access
- help facilitate long-standing trading practices with respect to certain orders.

We believe the above changes would result in:

- establishing and maintaining rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity
- promoting just and equitable principles of trade.

6.2 Regulatory Process

The Board of Directors of IIROC (**Board**) has determined the Proposed Amendments to be in the public interest and approved them to be republished for public comment on March 29, 2017.

The Market Rules Advisory Committee (**MRAC**) of IIROC considered this matter.[7] MRAC is an advisory committee comprised of representatives of each of the marketplaces for which IIROC acts as a regulation services provider, Participants, institutional investors and subscribers, and the legal and compliance community.

After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the CSA, IIROC may recommend that revisions be made to the applicable proposed amendments. If the comments or revisions are not of a material nature, the Board has authorized the President to approve the revisions on behalf of IIROC; the applicable proposed amendments as revised will be subject to approval by the CSA. If we receive material comments from the public or the CSA or propose revisions that are material, the applicable proposed amendments as revised will be submitted to the Board for approval. If approved by the Board, any proposed material revisions will be published for comment.

[7] Consideration by MRAC should not be construed as approval or endorsement of the Proposed Amendments. Members of MRAC are expected to provide their personal advice on topics and that advice may not represent the views of their respective organizations as expressed during the public comment process.

Appendix A – Proposed UMIR Amendments

The Universal Market Integrity Rules are hereby amended as follows:

1. Section 1.1 is amended by inserting the following definition of "acceptable foreign trade reporting facility":

   "Acceptable Foreign Trade Reporting Facility" means a trade reporting facility or similar facility outside Canada:

   (a) on which the reporting of trades is monitored for compliance with regulatory requirements at the time of reporting by a self-regulatory organization that is a member of the International Organization of Securities Commissions;

   (b) that displays and provides timely information of the price, volume and security identifier of each trade at the time of the reporting of the trade; and

   (c) included on a list of acceptable foreign trade reporting facilities published on the IIROC website.

2. Subsection (2) of Rule 6.4 is amended by:

   (a) deleting in clause (h) the word "or" immediately following "issuer;";

   (b) replacing "." in clause (i) with ";or" ; and

   (c) inserting the following as clause (j):

   (j) **Acceptable Foreign Trade Reporting Facility** – in a listed security or quoted security that is reported to an acceptable foreign trade reporting facility and:

   (i) is more than 50 standard trading units and has a value of more than $100,000; or

   (ii) originated from a contingent order related to a derivative transaction where the derivative transaction occurs outside of Canada and the trade in the listed or quoted security is handled by the same intermediary as the derivative transaction.

Appendix B – Text of UMIR to Reflect Proposed Amendments Respecting the Reporting of Certain Trades on Foreign Trade Reporting Facilities

Text of Provision Following Adoption of the Proposed UMIR Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed UMIR Amendments
"Acceptable Foreign Trade Reporting Facility" means a trade reporting facility or similar facility outside Canada: (a) on which the reporting of trades is monitored for compliance with regulatory requirements at the time of reporting by an organization that is a member of the International Organization of Securities Commissions; (b) that displays and provides timely information of the price, volume and security identifier of each trade at the time of the reporting of the trade; and (c) included on a list of acceptable foreign trade reporting facilities published on the IIROC website.	**"Acceptable Foreign Trade Reporting Facility"** means a trade reporting facility or similar facility outside Canada: (a) on which the reporting of trades is monitored for compliance with regulatory requirements at the time of reporting by an organization that is a member of the International Organization of Securities Commissions; (b) that displays and provides timely information of the price, volume and security identifier of each trade at the time of the reporting of the trade; and (c) included on a list of acceptable foreign trade reporting facilities published on the IIROC website.
6.4 Trades to be on a Marketplace (1) A Participant acting as principal or agent may not trade nor participate in a security by means other than the entry of an order on a marketplace. (2) Subsection (1) does not apply to a trade: (h) **Prospectus and Exempt Distributions** – pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer; (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace; or (j) **Acceptable Foreign Trade Reporting Facility** – in a listed security or quoted security that is reported to an acceptable foreign trade reporting facility and: (i) is more than 50 standard trading units and has a value of more than $100,000; or (ii) originated from a contingent order related to a derivative transaction where the derivative transaction occurs outside of Canada and the trade [in the listed or quoted security] is handled by the same intermediary as the derivative transaction.	**6.4 Trades to be on a Marketplace** (1) A Participant acting as principal or agent may not trade nor participate in a security by means other than the entry of an order on a marketplace. (2) Subsection (1) does not apply to a trade: .... (h) **Prospectus and Exempt Distributions** – pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer; ~~or~~ (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace~~.~~; or (j) **Acceptable Foreign Trade Reporting Facility** – in a listed security or quoted security that is reported to an acceptable foreign trade reporting facility and: (i) is more than 50 standard trading units and has a value of more than $100,000; or (ii) originated from a contingent order related to a derivative transaction where the derivative transaction occurs outside of Canada and the trade in the listed or quoted security is handled by the same intermediary as the derivative transaction.

Appendix C – Comment Summary and Responses

Appendix C

Comments Received in Response to

IIROC Notice 16-0082 – Rules Notice - Request For Comments – UMIR

Proposed Amendments Respecting the Reporting of Certain Trades on Acceptable Foreign Trade Reporting Facilities

On April 21, 2016, IIROC issued Notice 16-0082 requesting comments on Proposed Amendments Respecting the Reporting of Certain Trades on Acceptable Foreign Trade Reporting Facilities (**2016 Proposed Amendments**). IIROC received comments on the Proposed Amendments from:

The Canadian Advocacy Council for Canadian CFA Institute Societies (**CFA**)
Investment Industry Association of Canada (**IIAC**)
RBC Dominion Securities Inc. (**RBCDS**)
TD Securities (**TD Securities**)

A copy of the comment letters received in response to the Proposed Guidance is publicly available on IIROC's website (www.iiroc.ca). The following table presents a summary of the comments received on the Proposed Amendments together with IIROC's responses to those comments.

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
1.1 Definitions **"Acceptable Foreign Trade Reporting Facility"** means a trade reporting facility or similar facility outside Canada: (a) on which the reporting of trades is monitored for compliance with regulatory requirements at the time of reporting by an organization that is a member of the International Organization of Securities Commissions; (b) that displays and provides timely information of the price,		

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
volume and security identifier of each trade at the time of the reporting of the trade; and included on a list of acceptable foreign trade reporting facilities published on the IIROC website.		
6.4 Trades to be on a Marketplace (1) A Participant acting as principal or agent may not trade nor participate in a security by means other than the entry of an order on a marketplace. (2) Subsection (1) does not apply to a trade: .... (h) **Prospectus and Exempt Distributions** – pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer; (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace~~.~~; or (j) **Acceptable Foreign Trade Reporting Facility** – in a listed security or quoted security that is reported to an acceptable foreign trade reporting facility and: (i) is more than 50 standard trading units and has a value of more than $100,000~~,~~; or (ii) originated from a contingent order related to a derivative transaction where the derivative transaction occurs outside of Canada and the trade [in the listed or quoted security] is handled by the same intermediary as the derivative transaction,		
	Proposed Threshold Levels **TD** – Notes that the proposed exemption is inconsistent with comparable UMIR provisions and current market practice. Cites two concerns with proposed threshold: (1) the equity trade originating from a derivative transaction cannot be used to gauge the total value of the transaction; (2) the proposed exemption would prevent Canadian investors from trading covered call and other related option strategies in the US market. Therefore recommend that all forms of contingent orders, regardless of size or value be exempt from the FORM Guidance.	We acknowledge that the proposed threshold is different from thresholds used in other UMIR requirements. However we believe that the proposed threshold of 50 standard trading units and $100,000 meets the policy objective of carving out larger, block-type trades. With respect to trades originating from derivative-related contingent orders, we added a new provision that would allow all such trades to be reported to an acceptable foreign trade reporting facility regardless of the size of the contingent trade.

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	RBCDS – Retail investors should be able to seek best execution regardless of the size of the trade and recommends that the proposed exception apply to all trades, retail and institutional. The Minimum Guaranteed Fill system in Canada does not offer sufficient guarantees that retail orders will get filled immediately and at the best posted market price, while they can get automatic and immediate execution levels well above MGF levels from U.S. wholesalers. If IIROC does not remove the threshold requirement, recommends the proposed threshold levels be changed to over 50 standard trading units OR a value of more than $100,000 to ensure market efficiency for retail flow.	The policy objective of the threshold is to ensure larger, block-type orders that may require more liquidity than available domestically have access to certain liquidity that, under current requirements, may be denied access to such liquidity given that it is difficult for foreign providers of this liquidity to execute such trades on a FORM. We have consulted with industry representatives who have confirmed that the proposed threshold is an appropriate measure to achieve this policy objective.
	IIAC – Proposed Amendments should allow both retail and institutional flow to be reported to an Acceptable Trade Reporting Facility. Asserts that if the original policy reason for requiring executions to take place on a FORM is negated by the view that the regulation of Acceptable Foreign Trade Reporting Facilities is similar to that of marketplaces in Canada, then the original policy objective of the FORM definition would not be contravened by allowing either retail or institutional flow to be reported to an Acceptable Trade Reporting Facility. Recommends that executions of trades at any size should be allowed on Acceptable Foreign Trade Reporting Facilities outside of core trading hours to achieve best execution for these immediately tradeable orders. Notes that it may be unrealistic for dealers that use foreign service providers which deal with Acceptable Foreign Trade Reporting Facilities to execute retail order flow in the U.S. on a FORM; there may be no ability to avoid transacting on Acceptable Foreign Trade Reporting Facilities.	The Proposed Amendments do not distinguish between institutional and retail flow. Rather, a volume and value threshold must be met before a trade would be able to be reported to an acceptable trade reporting facility. Allowing all other trades to be reported to an acceptable trade reporting facility, regardless of size or value, would not meet the policy objective of ensuring that large orders have access to liquidity in foreign markets.
	IIAC - Questions whether the bundling of orders to achieve the	The purpose of the Proposed Amendments is to ensure that

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	trade size threshold would be acceptable.	larger, block-type orders have access to certain liquidity that, under current requirements, is difficult to access. Therefore, the bundling of orders to achieve the trade size threshold would not be acceptable.
	IIAC – With respect to trade-through obligations, under UMIR 6.4(3), the exemption for trading on a FORM is not available to orders for Canadian accounts denominated in Canadian funds that are part of an intentional cross, pre-arranged trade, more than 50 standard trading units, or which have a value greater than $250,000, if the entry of the order on a FORM would avoid execution against a better-priced order on a marketplace. Requests clarification as to whether the large trades reported to an acceptable foreign trade reporting facility would be subject to the same trade-through obligations.	The requirement under UMIR 6.4(3) applies to orders while the proposed provision would deal with **trades** that may be reported to an acceptable foreign trade reporting facility. Therefore, UMIR 6.4(3) would not apply to large trades reported to an acceptable foreign trade reporting facility. We note, however, that the originating orders of such trades would be subject to the anti-avoidance provision in section 6.7 of the Trading Rules.
	CFA – Generally supportive of Proposed Amendments. Proposed Amendments are responsive to concerns raised about market efficiency and the practical implications of requiring larger orders to be executed on a foreign organized regulated market. Agree that the regulation of FINRA's Over-The-Counter Reporting Facility and the FINRA/Nasdaq Trade Reporting Facility is similar enough to Canadian regulation of marketplaces such that the Proposed Amendments should not have any negative impact on market integrity or investor protection.	We acknowledge the comments.
General	**IIAC** – Pleased that IIROC has taken previous comments on impact of guidance on FORMs into consideration. The Proposed Amendments support the principle of market efficiency for institutional order flow but should also provide exception for retail flow as well. Recommends that IIROC inform any consideration of trading restrictions with the review of data respecting retail southbound order flow to better understand its scope and market impact in order to avoid unintended negative consequences for retail investors.	We acknowledge the comments. Our study on retail southbound order flow is ongoing. We will use the results from that study to inform any future policy development on requirements for trading outside of Canada.

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	IIAC – IIROC should expand the exception to UMIR 6.3 that allows a Participant to withhold a small client order from immediate entry on a displayed marketplace if the order is executed on a FORM to include reporting to Acceptable Foreign Trade Reporting Facilities for excepted small orders if the FORM definition is not expanded.	The UMIR 6.3 order exposure provisions generally exclude orders that are executed on a venue other than a marketplace pursuant to UMIR 6.4(2).
	TD – Supports the proposed exemptions but believes the more appropriate course of action is to withdraw the FORM Guidance and recognize that trades reported to the FINRA ORF/TRF meet all requirements of a FORM. Canadian investors should have access to all Regulation NMS market centres and be treated on equal terms as U.S investors when accessing the US equity market.	We acknowledge the comments. We note that we will not make any changes to the FORM definition at this time. We believe this is appropriate given we: • have no broad evidence of difficulties in executing small orders in Canada • maintain the view that the dark rule framework is designed to encourage and honour lit prices on the Canadian market and should be respected • maintain the view that investors should be protected by ensuring that they trade on a market that has substantially the same regulatory structure and oversight, and dissemination of data to the public as would be present if the trade had been conducted on a marketplace in Canada.
	TD – Orders directed to the Canadian market should trade within the Canadian market framework and comply with all Canadian regulations governing the re-routing of orders to a foreign marketplace. Orders which are directed by Canadian clients to the US market, either through the selection of a US symbol or originated from a US dollar account, should have full access to all US liquidity and be treated on equal terms as domestic orders from US investors. Supports disclosure of order handling practices which apply to a client-directed order.	We acknowledge the comments. We note that we will not make any changes to the FORM definition at this time. We believe this is appropriate given we: • have no broad evidence of difficulties in executing small orders in Canada • maintain the view that the dark rule framework is designed to encourage and honour lit prices on the

Text of Provision Following Adoption of the Proposed Amendments (Proposed Revisions to the 2016 Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	IIAC – Retail accounts denominated in U.S. dollars should be excluded from the application of FORM guidance.	Canadian market and should be respected • maintain the view that investors should be protected by ensuring that they trade on a market that has substantially the same regulatory structure and oversight, and dissemination of data to the public as would be present if the trade had been conducted on a marketplace in Canada.