

IIROC NOTICE

Rules Notice
Notice of Approval
UMIR

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Amendments Respecting the Codification of Certain UMIR Exemptions

Executive Summary

On November 28, 2022, the applicable securities regulatory authorities approved amendments (**Amendments**) to the Universal Market Integrity Rules (**UMIR**) that will codify new exemptions to allow Participants to trade a listed security:

- off-marketplace during a statutory resale restriction where the trading is permitted pursuant to a prospectus exemption
- on a foreign organized regulated market (**FORM**) during a regulatory halt where a cease trade order (**CTO**) is in effect and the trading is permitted pursuant to meeting specified conditions set out in the CTO.



The Amendments were published for comment on April 14, 2022 in IIROC Notice [22-0054](#). All relevant background information, including the description and impact of the Amendments, is set out in Notice [22-0054](#).

Comments Received

We received two comment letters in response to IIROC Notice [22-0054](#). Attachment C provides a summary of the public comments received and our responses. No changes were made to the Amendments as a result of the comments received.

Attachments

[Attachment A – Text of UMIR Amendments](#)

[Attachment B – Blackline of Amendments to UMIR](#)

[Attachment C – Summary of comments received and IIROC’s responses](#)



Description of the Amendments

Statutory resale restriction

Under the Amendments to UMIR 6.4(2)(k), Participants can trade off-marketplace without seeking an exemption from IIROC if:

- the securities are subject to a statutory resale restriction, and
- the trade:
 - complies with requirements set forth in NI 45-102, and
 - is executed pursuant to an applicable exemption from prospectus requirements under securities legislation, such as the accredited investor exemption, where available.

The Participant must also continue to ensure that its trades comply with all applicable securities legislation and regulatory requirements, including but not limited to:

- reporting obligations pursuant to insider reporting requirements where applicable
- any additional requirements imposed by the listing exchange.

The Amendments to UMIR 6.4(2)(k) do not apply to securities subject to contractual hold periods that can be imposed or removed through private agreement, as the resale of these securities are not statutorily restricted. Participants and Access Persons that wish to trade listed securities subject to contractual resale restrictions off-marketplace must still seek an exemption from IIROC under UMIR 6.4(2)(b), and demonstrate within its application why such an exemption would not be prejudicial to the public interest or to the maintenance of a fair and orderly market.

Similar to all other exemptions under UMIR 6.4(2)¹, Participants do not need to separately report details of trades executed under the Amendments to UMIR 6.4(2)(k) to IIROC, however Participants must have policies and procedures in place to:

- confirm that a potential trade meets the criteria set out in the rule

¹ Not including UMIR 6.4(2)(b), as Participants are required to report details of trades executed pursuant to certain exemptions granted by IIROC staff under UMIR 6.4(2)(b).



- maintain records as required under IIROC requirements², including but not limited to UMIR [10.11 Audit Trail Records](#), UMIR [10.12 Retention of Records and Instructions](#), and IIROC Rule [3804 General requirement to maintain records](#).

Regulatory Halt where Cease Trade Order is in Effect

Where the conditions for selling a security are prescribed within the CTO itself, IIROC has amended UMIR 9.1(4)(b) to allow Participants to sell on a FORM in a manner that complies with:

- the conditions set forth in the CTO (UMIR 9.1(4)(b)(i)), and
- all applicable securities legislation (UMIR 9.1(4)(b)(ii)).

In order to ensure the sale complies with all applicable securities legislation, Participants must continue to check the [CSA CTO database](#) to determine whether the security is subject to a CTO issued by more than one CSA jurisdiction. If the security is subject to a CTO issued by more than one CSA jurisdiction, the Participant must continue to:

- conduct the necessary due diligence before trading to determine whether or not a specific trade can be executed (for example, this may include seeking variation orders or non-objection confirmations from the CSA jurisdiction(s) at issue depending on the CTO in effect)
- document and maintain records to demonstrate compliance with securities legislation and IIROC requirements³, including but not limited to UMIR [10.11 Audit Trail Records](#), UMIR [10.12 Retention of Records and Instructions](#), and IIROC Rule [3804 General requirement to maintain records](#).

Guidance

As Participants no longer need to seek an exemption from IIROC in order to trade between eligible investors securities that are subject to a statutory restriction off-marketplace, we have updated our

² “IIROC requirements” are defined in [IIROC Rule 1201\(2\)](#) as requirements set out within IIROC’s articles, by-laws and rules, along with all other instruments prescribed or adopted within IIROC’s by-laws and rules, and rulings of IIROC and the District Councils.

³ Ibid.



guidance⁴ on obtaining a trading exemption or rule interpretation to remove the statutory resale restriction as an example of an exemption that is typically granted by IIROC under UMIR 6.4(2)(b). The updated Guidance is being published concurrently with this Notice.

Implementation

Participants will need to review and update their supervision and compliance policies to:

- remove any procedures to seek individual exemptions from IIROC on a per transaction basis where the trading complies with the new codified exemptions
- add reasonable policies and procedures to manage and monitor compliance with applicable securities legislation and regulatory requirements when trading securities subject to a statutory resale restriction or on a FORM during a regulatory halt.

The Amendments will come into force on March 1, 2023, being 90 days after the publication of the Notice of Approval.

⁴ [Obtaining a Trading Exemption or Rule Interpretation](#)