For Immediate Release
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CSA and IIROC announce the implementation of a dark liquidity framework in Canada

Toronto – The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) are implementing a new regulatory framework for the use of orders entered without pre-trade transparency (dark orders).

To implement the framework, amendments have been made to National Instrument 21-101 *Marketplace Operation* and to the Universal Market Integrity Rules (UMIR), approved by the CSA on March 30, 2012. The framework is comprised of the following key elements:

- **Visible order priority** –Visible orders will have execution priority over dark orders on the same marketplace at the same price;

- **Meaningful price improvement** – In order to trade with a dark order, smaller orders must receive a minimum level of price improvement, which is defined as one trading increment or half a trading increment for securities with a bid-ask spread of one trading increment; and

- **Minimum size** – IIROC has the ability to designate a minimum size for dark orders. It is not doing so at this time, but the CSA and IIROC will monitor market developments closely to consider whether and when IIROC should implement a minimum size.

Effective October 10, 2012, the UMIR provisions will introduce a comprehensive and proactive regulatory approach to safeguard the price discovery process in Canadian equity markets.

"The Canadian capital markets are developing rapidly and it's incumbent on regulators to set high standards to ensure these changes are in the best interests of investors and the markets," said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission. "This new regulatory framework strikes an appropriate balance that will allow for continued innovation while maintaining fair and efficient capital markets."

"The new rule framework recognizes the increasing use of dark liquidity and balances displayed and dark liquidity for healthy price discovery," added Susan Wolburgh Jenah, IIROC President and Chief Executive Officer. "These proposals are intended to ensure Canadian equity markets continue to evolve in a fair and competitive manner that strengthens market integrity and investor protection."

The initiative follows extensive consultations with industry and stakeholders that began in 2009. The rules are designed to enable institutional traders to continue to execute large orders with minimal market impact, while ensuring that investors with smaller orders receive meaningful price improvement when they trade with dark orders.

A copy of IIROC's Notice of Approval "Provisions Respecting Dark Liquidity" is available here at IIROC.

The CSA, the council of the securities regulatory authorities of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada.

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