

**Appendix B - Text of UMIR and IDPC Rules to Reflect UMIR and IDPC Rules Amendments Respecting the Requirement to have a Reasonable Expectation to Settle**

Blue and Red – blacklined changes as compared to current UMIR and IDPC Rules

Text of Provision Marked to Reflect Adoption of the Proposed UMIR Rules Amendments	Text of Provision Following Adoption of the Proposed UMIR Amendments
<p><b>UMIR 1.1 Definitions</b></p> <p>...</p> <p><u>“deemed to own” means the seller, directly or through an agent or trustee:</u></p> <p><u>(a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;</u></p> <p><u>(b) owns another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;</u></p> <p><u>(c) has an option to purchase the security and has exercised the option;</u></p> <p><u>(d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or</u></p> <p><u>(e) has entered into a contract to purchase a security that trades on a when issued basis and such contract is binding on both parties and subject only to the condition of issuance or distribution of the security.</u></p> <p>...</p>	<p><b>UMIR 1.1 Definitions</b></p> <p>...</p> <p>“deemed to own” means the seller, directly or through an agent or trustee:</p> <p>(a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;</p> <p>(b) owns another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;</p> <p>(c) has an option to purchase the security and has exercised the option;</p> <p>(d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or</p> <p>(e) has entered into a contract to purchase a security that trades on a when issued basis and such contract is binding on both parties and subject only to the condition of issuance or distribution of the security.</p> <p>...</p>
<p><b>UMIR POLICY 2.2 – MANIPULATIVE AND DECEPTIVE ACTIVITIES</b></p> <p><b>Part 2 – False or Misleading Appearance of Trading Activity or Artificial Price</b></p> <p>For the purposes of subsection (2) of Rule 2.2 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or a derivative or an artificial ask price, bid price or sale price, the entry of the order or the</p>	<p><b>UMIR POLICY 2.2 – MANIPULATIVE AND DECEPTIVE ACTIVITIES</b></p> <p><b>Part 2 – False or Misleading Appearance of Trading Activity or Artificial Price</b></p> <p>For the purposes of subsection (2) of Rule 2.2 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or a derivative or an artificial ask price, bid price or sale price, the entry of the order or the</p>

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<p>execution of the trade shall constitute a violation of subsection (2) of Rule 2.2:</p> <p>...</p> <p>(g) entering an order for the purchase of a security or a derivative without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order;</p> <p>(h) entering an order for the sale of a security or a derivative without, at the time of entering the order, having the reasonable expectation of settling any trade <u>on settlement date</u> that would result from the execution of the order; <del>and</del></p> <p><u>(h.1) the prohibition in paragraph (h) of Part 2 of Policy 2.2 does not apply to the sale of a security by:</u></p> <p style="padding-left: 40px;"><u>(i) a person that is deemed to own the security, provided that the Participant has been reasonably informed that the person has a reasonable expectation to deliver such security in such number and form as to permit the settlement of the trade:</u></p> <p style="padding-left: 80px;"><u>(1) as soon as all restrictions on delivery have been removed; and</u></p> <p style="padding-left: 80px;"><u>(2) by no later than thirty-five consecutive calendar days following the trade date;</u></p> <p>...</p> <p>If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (2) of Rule 2.2 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or a derivative or an artificial ask price, bid price or sale price for a security or a derivative or a related security or a related derivative.</p>	<p>execution of the trade shall constitute a violation of subsection (2) of Rule 2.2:</p> <p>...</p> <p>(g) entering an order for the purchase of a security or a derivative without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order;</p> <p>(h) entering an order for the sale of a security or a derivative without, at the time of entering the order, having the reasonable expectation of settling any trade on settlement date that would result from the execution of the order;</p> <p>(h.1) the prohibition in paragraph (h) of Part 2 of Policy 2.2 does not apply to the sale of a security by:</p> <p style="padding-left: 40px;">(i) a person that is deemed to own the security, provided that the Participant has been reasonably informed that the person has a reasonable expectation to deliver such security in such number and form as to permit the settlement of the trade:</p> <p style="padding-left: 80px;">(1) as soon as all restrictions on delivery have been removed; and</p> <p style="padding-left: 80px;">(2) by no later than thirty-five consecutive calendar days following the trade date;</p> <p>...</p> <p>If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (2) of Rule 2.2 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or a derivative or an artificial ask price, bid price or sale price for a security or a derivative or a related security or a related derivative.</p>

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<p><b>UMIR 3.3 Reasonable expectation to settle prior to the entry of an order for a short sale</b></p> <p>(1) Before entering an order on a marketplace to sell a security that on execution would result in a short sale, a Participant or Access Person must have a reasonable expectation to settle any resulting trade on the date contemplated on the execution of the trade.</p> <p><u>(2) Subsection (1) does not apply to the short sale of a security by:</u></p> <p><u>(a) a person that is deemed to own the security, provided that the Participant has been reasonably informed that the person has a reasonable expectation to deliver such security in such number and form as to permit the settlement of the trade:</u></p> <p><u>(i) as soon as all restrictions on delivery have been removed; and</u></p> <p><u>(ii) by no later than thirty-five consecutive calendar days following the trade date;</u></p>	<p><b>UMIR 3.3 Reasonable expectation to settle prior to the entry of an order for a short sale</b></p> <p>(1) Before entering an order on a marketplace to sell a security that on execution would result in a short sale, a Participant or Access Person must have a reasonable expectation to settle any resulting trade on the date contemplated on the execution of the trade.</p> <p>(2) Subsection (1) does not apply to the short sale of a security by:</p> <p>(a) a person that is deemed to own the security, provided that the Participant has been reasonably informed that the person has a reasonable expectation to deliver such security in such number and form as to permit the settlement of the trade:</p> <p>(i) as soon as all restrictions on delivery have been removed; and</p> <p>(ii) by no later than thirty-five consecutive calendar days following the trade date;</p>

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<p><b>Rule 4700 – Operations – Business Continuity and General Trading and Delivery Standards</b></p> <p><b>4701 – Introduction</b></p> <p>(1) Rule 4700 sets out the following requirements relating to Dealer Member operations:</p> <p>Part A - Business continuity plan [sections 4710 through 4716]</p> <p>Part B - General trading and delivery standards applicable to all transactions [sections 4750 through 4761]</p> <p><u>Part C – Reasonable Expectation to Settle [sections 4780 through 4782]</u></p>	<p><b>Rule 4700 – Operations – Business Continuity and General Trading and Delivery Standards</b></p> <p><b>4701 – Introduction</b></p> <p>(1) Rule 4700 sets out the following requirements relating to Dealer Member operations:</p> <p>Part A - Business continuity plan [sections 4710 through 4716]</p> <p>Part B - General trading and delivery standards applicable to all transactions [sections 4750 through 4761]</p> <p>Part C – Reasonable Expectation to Settle [sections 4780 through 4782]</p>

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<p><b><u>4781. Definitions</u></b></p> <p><u>(1) The following terms have the meaning set out below when used in section 4782:</u></p> <table border="1" data-bbox="159 793 792 1514"> <tr> <td data-bbox="159 793 354 905">“deemed to own”</td> <td data-bbox="360 793 792 905">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="159 913 354 1178">“intended settlement date”</td> <td data-bbox="360 913 792 1178">The business day on which the delivery of securities and payment of money is required to be made to permit the settlement of the trade through the facilities of a recognized clearing agency on the date expected when the trade was executed on a Marketplace.</td> </tr> <tr> <td data-bbox="159 1186 354 1297">“listed security”</td> <td data-bbox="360 1186 792 1297">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="159 1306 354 1417">“Participant”</td> <td data-bbox="360 1306 792 1417">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="159 1425 354 1514">“short sale”</td> <td data-bbox="360 1425 792 1514">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> </table>	“deemed to own”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“intended settlement date”	The business day on which the delivery of securities and payment of money is required to be made to permit the settlement of the trade through the facilities of a recognized clearing agency on the date expected when the trade was executed on a Marketplace.	“listed security”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“Participant”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“short sale”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	<p><b>4781. Definitions</b></p> <p>(1) The following terms have the meaning set out below when used in section 4782:</p> <table border="1" data-bbox="831 793 1464 1514"> <tr> <td data-bbox="831 793 1026 905">“deemed to own”</td> <td data-bbox="1032 793 1464 905">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="831 913 1026 1178">“intended settlement date”</td> <td data-bbox="1032 913 1464 1178">The business day on which the delivery of securities and payment of money is required to be made to permit the settlement of the trade through the facilities of a recognized clearing agency on the date expected when the trade was executed on a Marketplace.</td> </tr> <tr> <td data-bbox="831 1186 1026 1297">“listed security”</td> <td data-bbox="1032 1186 1464 1297">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="831 1306 1026 1417">“Participant”</td> <td data-bbox="1032 1306 1464 1417">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> <tr> <td data-bbox="831 1425 1026 1514">“short sale”</td> <td data-bbox="1032 1425 1464 1514">The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td> </tr> </table>	“deemed to own”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“intended settlement date”	The business day on which the delivery of securities and payment of money is required to be made to permit the settlement of the trade through the facilities of a recognized clearing agency on the date expected when the trade was executed on a Marketplace.	“listed security”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“Participant”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.	“short sale”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.
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