Appendix "B"

Text of UMIR to Reflect Proposed Amendments Respecting Regulation of Short Sales and Failed Trades

Text of Provisions Following Adoption of the Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed Amendments
1.1 Definitions "Pre-Borrow Security" means a security that has been designated by a Market Regulator to be a security in respect of which an order, that on execution would be a short sale, may not be entered on a marketplace unless the Participant or Access Person has made arrangements to borrow the securities that would be necessary to settle the trade prior to the entry of the order.	**1.1 Definitions** "Pre-Borrow Security" means a security that has been designated by a Market Regulator to be a security in respect of which an order, that on execution would be a short sale, may not be entered on a marketplace unless the Participant or Access Person has made arrangement to borrow the securities that would be necessary to settle the trade prior to the entry of the order.
1.1 Definitions "short-marking exempt order" means an order for the purchase or sale of a security from account that is: (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; and (c) the account of an institutional customer: (i) for which order generation and entry is fully-automated, (ii) which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and (iii) which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.	**1.1 Definitions** "short-marking exempt order" means an order for the purchase or sale of a security from account that is: (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; and (c) the account of an institutional customer: (i) for which order generation and entry is fully-automated, (ii) which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and (iii) which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.
3.1 Restrictions on Short Selling - *repealed*	~~**3.1 Restrictions on Short Selling**~~ ~~(1) Except as otherwise provided, a Participant or Access Person shall not make a short sale of a security on a marketplace unless the price is at or above the last sale price.~~ ~~(2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:~~ ~~(a) a Program Trade in accordance with Marketplace Rules;~~ ~~(b) made in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules;~~ ~~(c) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then available and the seller intends to accept such offer immediately;~~ ~~(d) for the account of a derivatives market maker and is made:~~ ~~(i) in accordance with the market making obligations of the seller in connection with the security or a related security, and~~ ~~(ii) to hedge a pre-existing position in the security or a related security;~~ ~~(e) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution;~~

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	~~(f) the result of:~~ ~~(i) a Call Market Order,~~ ~~(ii) a Market-on-Close Order~~ ~~(iii) a Volume Weighted Average Price Order~~ ~~(iv) a Basis Order, or~~ ~~(v) a Closing Price Order;~~ ~~(g) a trade in an Exempt Exchange-traded Fund; or~~ ~~(h) made to satisfy an obligation to fill an order imposed on a Participant or Access Person by any provision of UMIR or a Policy.~~
3.2 Prohibition on Entry of Orders (1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale: (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii); or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order. (2) Clause (a) of subsection (1) does not apply to an order that has been designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix). …	**3.2 Prohibition on Entry of Orders** (1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale: (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii)~~ or subclause 6.2(1)(b)(ix)~~; or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order. (2) Clause (a) of subsection (1) does not apply to an order ~~automatically generated by the trading system of an Exchange or QTRS in accordance with the Marketplace Rules in respect of the applicable Market Maker Obligations~~ that has been designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix). …
6.1 Entry of Orders to a Marketplace … (3) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or (c) the Market Regulator has consented to the entry of such order or orders. (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant or Access Person has made arrangements for the borrowing of the securities	**6.1 Entry of Orders to a Marketplace** … (3) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or (c) the Market Regulator has consented to the entry of such order or orders. (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the

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necessary to settle any resulting trade prior to the entry of the order; or (b) the Market Regulator has consented to the entry of such order or orders. (5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.	entry of the order; or (b) the Market Regulator has consented to the entry of such order or orders. (5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.
6.2 Designations and Identifiers (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (v.3) a bypass order, (v.4) a directed action order as defined in the Trading Rules, (vi) part of a Program Trade, (vii) part of an intentional cross or internal cross, (viii) a short sale but not including an order which is designated as a “short-marking exempt order” in accordance with subclause 6.2(1)(b)(ix), (ix) a short-marking exempt order, (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.	**6.2 Designations and Identifiers** (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (v.3) a bypass order, (v.4) a directed action order as defined in the Trading Rules, (vi) part of a Program Trade, (vii) part of an intentional cross or internal cross, (viii) a short sale~~ which is subject to the price restriction under subsection (1) of Rule 3.1~~ but not including an order which is designated as a “short-marking exempt order” in accordance with subclause 6.2(1)(b)(ix), (ix) a short-marking exempt order~~ sale which is exempt from the price restriction on a short sale in accordance with subsection (2) of Rule 3.1,~~ (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.

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Policy 1.1 - Definitions **Part 2.1 – Definition of "Pre-Borrow Security"** Under the definition of a "Pre-Borrow Security", the Market Regulator may designate a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace unless the Participant or Access Person entering the order has made arrangements to borrow the securities that would be required to settle the trade prior to the entry of the order. In determining whether to make such a designation, the Market Regulator shall consider whether: • based on information known to the Market Regulator, there is an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person; • the number or pattern of failed trades is related to short selling; and • the designation would be in the interest of maintaining a fair and orderly market.	**Policy 1.1 - Definitions** **Part 2.1 – Definition of "Pre-Borrow Security"** Under the definition of a "Pre-Borrow Security", the Market Regulator may designate a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace unless the Participant or Access Person entering the order has made arrangements to borrow the securities that would be required to settle the trade prior to the entry of the order. In determining whet her to make such a designation, the Market Regulator shall consider whether: • based on information known to the Market Regulator, there is an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person; • the number or pattern of failed trades is related to short selling; and • the designation would be in the interest of maintaining a fair and orderly market.
Policy 2.2. – Manipulative and Deceptive Activities **Part 1 – Manipulative or Deceptive Method, Act or Practice** There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice: (a) making a fictitious trade; (b) effecting a trade in a security which involves no change in the beneficial or economic ownership; and (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group. 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 (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.	**Policy 2.2. – Manipulative and Deceptive Activities** **Part 1 – Manipulative or Deceptive Method, Act or Practice** There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice: (a) making a fictitious trade; (b) effecting a trade in a security which involves no change in the beneficial or economic ownership; and (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group~~; and~~ ~~(d) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display~~. 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 (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.
Policy 3.1 Restrictions on Short Selling **Part 1 – Entry of Short Sales Prior to the Opening** ***- repealed***	~~**Policy 3.1 Restrictions on Short Selling**~~ ~~**Part 1 – Entry of Short Sales Prior to the Opening**~~ ~~Prior to the opening of a marketplace on a trading day, a short sale may not be entered on that marketplace as a market order and must be entered as a limit order and have a limit price at or above the last sale price of that security as indicated in a consolidated market display (or at or above the previous day's close reduced by the amount of a dividend or distribution if the security will commence ex-trading on the opening).~~
Policy 3.1 Restrictions on Short Selling **Part 2 – Short Sale Price When Trading Ex-Distribution** ***- repealed***	~~**Policy 3.1 Restrictions on Short Selling**~~ ~~**Part 2 – Short Sale Price When Trading Ex-Distribution**~~ ~~When reducing the price of a previous trade by the amount of a distribution, it is possible that the price of the security will be between the trading increments. (For example, a stock at $10 with a dividend of~~

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	~~$0.125 would have an ex-dividend price of $9.875. A short sale order could only be entered at $9.87 or $9.88.) Where such a situation occurs, the price of the short sale order should be set no lower than the next highest price. (In the example, the minimum price for the short sale would be $9.88, being the next highest price at which an order may be entered to the ex-dividend price of $9.875).~~ ~~In the case of a distribution of securities (other than a stock split) the value of the distribution is not determined until the security that is distributed has traded. (For example, if shareholders of ABC Co. receive shares of XYZ Co. in a distribution, an initial short sale of ABC on an ex-distribution basis may not be made at a price below the previous trade until XYZ Co. has traded and a value determined).~~ ~~Once a security has traded on an ex-distribution basis, the regular short sale rule applies and the relevant price is the previous trade.~~