

For Immediate Release
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CSA and IIROC announce regulatory framework for dark liquidity in Canada

Toronto – The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) announced today they are moving forward with proposals to implement a comprehensive new regulatory framework for the use of dark liquidity in the Canadian market.

The new framework provides a regulatory response to developments regarding dark liquidity in Canada, particularly the increasing use of dark orders, or orders entered with no pre-trade transparency. The framework acknowledges the importance of innovation in the Canadian market, while establishing strong rules to ensure that market integrity and price discovery remain protected.

“This new framework for dark liquidity in Canada proposes a balance between recognizing the value of dark liquidity to industry participants and ensuring the continued protection of retail investors, pre-trade price discovery and the overall quality of our market,” said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission.

The framework is guided by a series of recommendations advanced by the CSA and IIROC in a [Joint Position Paper](#) published last November. The Position Paper recommended that “meaningful price improvement” be required in certain circumstances and that, generally, visible orders should be executed before dark orders at the same price on the same marketplace. The new framework will also permit IIROC to establish a minimum size threshold for dark orders, which was also addressed in the Position Paper. The CSA and IIROC are moving forward with these recommendations through proposed amendments to NI 21-101 *Marketplace Operation* previously published in March 2011, and the Universal Market Integrity Rules (UMIR), which are being published for a 90 day comment period.

“The proposed framework will ensure that small orders that trade with dark liquidity obtain meaningful price improvement over liquidity offered in the transparent marketplaces,” said Susan Wolburgh Jenah, President and Chief Executive Officer of the Investment Industry Regulatory Organization of Canada. “At the same time, institutional traders with large orders will continue to be able to manage their market impact costs through the use of dark orders and dark pools.”

The framework was developed through an extensive consultation process with market participants on issues surrounding dark liquidity. This process included a 2009 Consultation Paper, a joint CSA/IIROC forum in the spring of 2010 and last November’s Position Paper. The framework reflects the feedback received from these outreach initiatives.

A copy of the joint CSA/IIROC Notice is available on the websites of CSA members and IIROC.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates 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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