



Reference Document for:

Appendix 2: Trader Competency Profile





Trader Competencies

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From a regulatory perspective, the competencies for a highly competent and compliant Trader at a minimum includes the following:

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3 Understand and apply the following: <ul style="list-style-type: none">I. Universal Market Integrity Rules (UMIR)II. GatekeepingIII. Best executionIV. Marketplace operations and trading processes			



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
I. Role of securities regulators and applicable laws	<ul style="list-style-type: none"> • Canadian Securities Administrators (CSA) and provincial securities regulators, including: <ul style="list-style-type: none"> ○ Jurisdiction ○ Mandate and objectives ○ Governance structure ○ Legislation ○ National Instruments (NI) and Multilateral Instruments (MI), National Policies and Staff Notices ○ Distinctions between provincial regulatory frameworks ○ Enforcement powers • Investment Industry Regulatory Organization of Canada (IIROC), including: <ul style="list-style-type: none"> ○ Jurisdiction ○ Recognition orders and delegated authorities ○ Mandate and objectives ○ Enforcement powers ○ Importance of regulatory guidance ○ IIROC rules relevant to trading on marketplaces ○ Role and/or application of: <ul style="list-style-type: none"> ▪ A Market Integrity Official ▪ A designated information processor ▪ Legal Entity Identifiers (LEI) ▪ Client Identifiers 	<ul style="list-style-type: none"> • Keep up to date with knowledge and understanding of all relevant business, industry, and regulatory developments



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Applicable laws, including: <ul style="list-style-type: none"> ○ Provincial securities laws and regulations, including: <ul style="list-style-type: none"> ▪ Primary and secondary distribution of securities ▪ Secondary market liability ▪ Raising capital ▪ Issuer disclosure ▪ Proxy solicitation ▪ Takeover bids ▪ Improper conduct (e.g. trading with non-public information) ▪ Shareholder rights, remedies, and obligations ▪ Firm and individual registration categories • Industry code of ethics, standards and firm guidelines for acceptable behaviour and governance • Characteristics and usage of investment capital 	
II. Marketplaces	<ul style="list-style-type: none"> • Definition of marketplace under Securities Act (Ontario) and NI 21-101, including: <ul style="list-style-type: none"> ○ Exchange ○ Quotation and trade reporting system ○ Person or company that: <ul style="list-style-type: none"> ▪ Constitutes, maintains, or provides a market or facility for bringing together buyers and sellers of securities 	<ul style="list-style-type: none"> • Consider differences between IIROC and CSA definitions of a marketplace when executing trades • Consider rules applicable to various products (including equity, derivative, debt, crypto, etc.) when executing trades • Consider order routing strategy and criteria to determine an appropriate order routing destination for individual trades, including: <ul style="list-style-type: none"> ○ Volume



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Brings together the orders for securities of multiple buyers and sellers ▪ Uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade ▪ Dealer that executes a trade of an Exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker • IIROC definition of marketplace, which includes: <ul style="list-style-type: none"> ○ Recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada ○ Recognized quotation and trade reporting system (QTRS) ○ Person or company that facilitates the trading of securities or derivatives in a jurisdiction of Canada, and: <ul style="list-style-type: none"> ▪ Constitutes, maintains, or provides a market or facility for bringing together buyers and sellers of securities or derivatives ▪ Brings together the orders for securities or derivatives of multiple buyers and sellers ▪ Uses established non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade • Regulatory guidance on crypto-asset trading platforms 	<ul style="list-style-type: none"> ○ Order to trade ratios ○ Technology and support ○ Broker attribution ○ Market making and primary markets ○ Costs and rebate models ○ Latency of execution ○ Latency of data ○ Client preference ○ Potential crossing/internalization opportunities ○ Market hours



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Trade surveillance, including surveillance of trading in: <ul style="list-style-type: none"> ○ Equity ○ Debt ○ Derivatives ○ Inter-listed products ○ Any other marketplaces and/or product • Policies and procedures (P&Ps) of a marketplace to address: <ul style="list-style-type: none"> ○ Confidentiality ○ Investigations ○ Conflicts of interest arising from operations or services, including: <ul style="list-style-type: none"> ▪ Those related to commercial interest ▪ The interests of owners and operators ▪ Responsibilities and sound functioning of the marketplace ▪ Those between operations and regulatory responsibilities • Marketplace operations, including: <ul style="list-style-type: none"> ○ Market structure (e.g., call market, auction market, dealer market) ○ Means of access, including co-locations ○ Hours of operation ○ Services offered, including: <ul style="list-style-type: none"> ▪ Order entry 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Co-location ▪ Trading ▪ Execution ▪ Routing ▪ Data ○ Types of orders offered ○ Features and characteristics of orders ○ Procedures regarding the entry, display, and execution of orders ○ How orders interact, including the priority of execution for all order types ○ Order routing procedures ○ Order and trade reporting procedures ○ Safeguards and procedures to protect trading information of marketplace participants ○ Steps taken to ensure that marketplace participants have knowledge of and comply with the requirements of the marketplace ○ Relevant outsourcing arrangements with arms-length third parties, including any function associated with: <ul style="list-style-type: none"> ▪ Routing ▪ Trading ▪ Execution ▪ Data ● Types of products listed, traded, or quoted 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Marketplace participants, including: <ul style="list-style-type: none"> ○ Class of participation or other access ○ Type of trading activities, including: <ul style="list-style-type: none"> ▪ Agency trading ▪ Proprietary trading ▪ Registered trading ▪ Market making • Criteria for access to services offered • Classes of marketplace participants and differences in access to the services offered to different groups and classes • Arrangements for permitting clients of marketplace participants to have access to the marketplace • Conditions under which marketplace participants may be subject to suspension or termination to access services offered • Procedures that will be involved in the suspension or termination of a marketplace participant • Fee model, including fees relating to: <ul style="list-style-type: none"> ○ Connecting to the market or facility ○ Access ○ Data ○ Regulation ○ Trading ○ Routing ○ Co-location 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Rebates and discounts ● System of internal controls for: <ul style="list-style-type: none"> ○ Order entry ○ Order routing ○ Execution ○ Trade reporting ○ Trade comparison ○ Data feeds ○ Co-location ○ Market surveillance 	
III. Exchanges	<ul style="list-style-type: none"> ● Securities regulatory authorities' recognition orders, terms, and conditions ● General criteria for recognition as an Exchange, including: <ul style="list-style-type: none"> ○ Requirements: <ul style="list-style-type: none"> ▪ For an issuer to enter into an agreement in order for the issuer's securities to trade on the marketplace ▪ Governing the conduct of marketplace participants ▪ Set by the marketplace in respect of the method of trading or algorithm used by those marketplace participants to execute trades on the system ○ Disciplinary action: <ul style="list-style-type: none"> ▪ Against marketplace participants 	<ul style="list-style-type: none"> ● Consider that a Participating Organization's (PO) representative must: <ul style="list-style-type: none"> ○ Represent the PO in all dealings with the Exchange, with full authority to speak for and bind the PO ○ Ensure that the PO, each related company and their partners, shareholders, directors, officers, and employees comply with Exchange requirements ○ Be primarily responsible to the Exchange for the conduct of partners, shareholders, directors, officers, and employees which require compliance with Exchange requirements without in any way limiting the duties and liabilities of others under Exchange rules ● Consider that a PO must exercise authority and control over accounts maintained with the approved trader pursuant to relevant requirements



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	<ul style="list-style-type: none"> ▪ By exclusion from trading ○ Direct or indirect guarantee of a two-sided market for a security on a continuous or reasonably continuous basis • Rules of Exchanges, including: <ul style="list-style-type: none"> ○ Toronto Stock Exchange (TSX) ○ Montréal Exchange (MX)/ Bourse de Montréal ○ TSX Venture Exchange (TSXV) ○ Canadian Securities Exchange (CSE) ○ NEO Exchange (NEO) ○ Alpha Exchange (Alpha) ○ Nasdaq Canada • Definition of a Participating Organization (PO), including: <ul style="list-style-type: none"> ○ Member in good standing of a recognized self-regulatory organization ○ Any person granted access to the trading system by the Exchange provided such access has not been terminated or suspended ○ Member of the Exchange • Approved Person (AP) within the meaning of the rules for Exchanges, including: <ul style="list-style-type: none"> ○ A related company ○ An employee of the PO or related company to that extent that such employee has Exchange 	<ul style="list-style-type: none"> • Consider that a PO that has acted in the purchase or sale of a security on the Exchange must: <ul style="list-style-type: none"> ○ Promptly send or deliver to its client, if any, a written confirmation of the purchase or sale ○ Provide the quantity and description of the security ○ Where the security is a restricted share, provide the description of the security and the appropriate restricted share term or an abbreviation with an explanation of the abbreviation ○ Provide the consideration ○ Indicate whether the PO was acting as principal or agent: <ul style="list-style-type: none"> ▪ If acting as agent, the name of the PO from or to or through whom the security was bought or sold ○ Indicate the date upon which the purchase or sale took place ○ Indicate the commission, if any, charged in respect of such purchase or sale ○ Provide the name of the Registered Representative (RR) or other person instructed by the client to make the purchase or sale ○ Confirm that the purchase or sale took place upon the Exchange



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	<p>approval or the approval of a recognized self-regulatory organization</p> <ul style="list-style-type: none"> ○ Partners, directors and officers of the PO or related company ○ A person holding a significant equity interest in the PO or related company ○ Other persons as may be designated from time to time by the Exchange ● Approved traders with Exchange approval to enter orders into the trading system ● Third-party electronic access to the Exchange via an intermediating PO that provides: <ul style="list-style-type: none"> ○ Direct electronic access ○ Routing arrangement ○ Order execution service ● PO requirements to provide third party electronic access to the Exchange, including obligation to: <ul style="list-style-type: none"> ○ Be responsible for compliance with Exchange requirements with respect to the entry and execution of orders transmitted by each third party through the PO ○ Provide the Exchange with prior written notification of the individual appointed to be responsible for such compliance ○ Disclose to the Exchange the unique client identifier associated with each third party electronic access client that is used for the 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<p>purpose of providing third party electronic access to an Exchange</p> <ul style="list-style-type: none"> ○ Inform the Exchange immediately if it knows or has reason to believe that it or its third party electronic access client has or may have breached a material provision of: <ul style="list-style-type: none"> ▪ Exchange requirements, or ▪ Written agreement ○ Notify the Exchange if the PO terminates a third party electronic access client's access to the Exchange ● Conditions for termination of third party electronic access to the Exchange's trading system without notice, including: <ul style="list-style-type: none"> ○ Misuse of the Exchange's trading system or interference with fair and orderly markets ○ Failure to comply with Exchange Requirements ○ Conduct, business, or affairs unbecoming or inconsistent with just and equitable principles of trade, or detrimental to the interests of the Exchange ○ Required termination by the Exchange or IIROC ● Order and trade reporting, including: <ul style="list-style-type: none"> ○ Daily trading blotters ○ Order acknowledgement, trade execution reports and drop copy reports provided through the Exchange's order entry interface 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Orders and trades reported to IIROC in real-time in accordance with its responsibilities as the designated Regulation Services Provider ○ Trades reported to Clearing and Depository Services (CDS) at the end of the Trading Day ○ Orders and trades reported to the TMX Information Processor in accordance with the requirements stated in NI 21-101 	
IV. Alternative Trading Systems (ATS)	<ul style="list-style-type: none"> ● NI 21-101 Marketplace Operation ● NI 23-101 Trading Rules ● NI 24-101 Institutional Trade Matching and Settlement ● IIROC Marketplace Members regulated as ATS operators ● Contract relationship between ATS and IIROC, which includes: <ul style="list-style-type: none"> ○ Trading conduct compliance with IIROC requirements ○ Requirements for monitoring and supervising the ATS and its subscribers ○ Enforcement of IIROC orders and directions ○ Record keeping requirements ● ATS markets, including: <ul style="list-style-type: none"> ○ Auction markets ○ Call markets 	<ul style="list-style-type: none"> ● Consider Universal Market Integrity Rules (UMIR) and applicable rules and securities regulations when entering orders and executing trades ● Use ongoing informational access to multiple marketplaces to find the trade that best achieves clients' particular priorities per best execution/price requirements



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Crossing systems or networks ○ Dark pools ○ Market making systems ● ATS Rules, including: <ul style="list-style-type: none"> ○ Registration and self-regulatory organization (SRO) membership ○ Compliance with the applicable provisions in NI 21-101 and NI 23-101 ○ Order and trade reporting requirements ○ Information consolidation requirements ○ Market integration requirement ○ Transparency requirements ○ Technology and recordkeeping requirements ○ Market regulation obligations ● Generally prohibited activities, including: <ul style="list-style-type: none"> ○ Requiring listing agreements ○ Two-sided market guarantees for a security or derivative on a continuous or reasonably continuous basis ● Applicable marketplace thresholds ● Permitted securities for ATS: <ul style="list-style-type: none"> ○ Exchange-traded securities ○ Corporate debt securities ○ Government debt securities ○ Foreign exchange-traded securities 	



1. Marketplace Structure and Regulation		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Over-the-counter equity securities (CSA approval required) ● Prohibition on intentionally locking or crossing markets ● Differences between QTRS and an ATS 	
V. Clearing/ settlement structures and functions	<ul style="list-style-type: none"> ● Roles of Clearing and Depository Services (CDS) and Canadian Derivatives Clearing Corporation (CDCC), including: <ul style="list-style-type: none"> ○ Settlement time frames ○ Reporting requirements ○ Trade processing ○ Positions ○ Exercises, tenders, assignments, and deliveries ○ Settlement procedures ○ Margin processing ○ Clearing fees ○ Escalation procedure ○ Overnight clearing ● Marketplace rules and guidelines for trading and post-trade settlement, including: <ul style="list-style-type: none"> ○ Processes for settlement and delivery ○ Firm requirements, guidelines and best practices for trade confirmations sent to clients, including: <ul style="list-style-type: none"> ▪ Client contract ▪ Trade reconciliation ▪ Cancel-and-correct procedures 	<ul style="list-style-type: none"> ● Consider procedures for clearance and settlement of transactions when executing trades ● Consider back office operations where trade confirmations and settlement disclosures are required

**1. Marketplace Structure and Regulation**

SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none">▪ Resolving client disagreements not addressed by cancel-and-correct procedures• Clearing arrangements<ul style="list-style-type: none">○ Clearing give-up○ Special settlement terms• Trade-for-trade (TFT) settlement• Continuous net settlement (CNS)• Buy-ins• Custody of assets and applicable controls which ensure the safety of funds or securities• Short sales and failed trades• Extended Failed Trade (EFTR) reporting	



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
<p>I. Capital market trading</p>	<ul style="list-style-type: none"> • Functions of capital markets, including: <ul style="list-style-type: none"> ○ Means for determining the price or required return for any financial asset (security) ○ Mechanism for the buying and selling of securities ○ Reducing the search and information costs of trading • Structure of capital markets, including: <ul style="list-style-type: none"> ○ Supply and use of capital in a market-system ○ Types of intermediaries ○ Primary markets <ul style="list-style-type: none"> ▪ Capital formation ○ Secondary markets <ul style="list-style-type: none"> ▪ Exchanges, QTRS, ATS, over-the-counter (OTC) ▪ Depth and liquidity • Types of financial instruments, including: <ul style="list-style-type: none"> ○ Equities ○ Fixed-income products ○ Derivatives ○ Managed products ○ Structured products ○ FX products ○ Commodities and related instruments ○ Other investment products 	<ul style="list-style-type: none"> • Consider increase in market fragmentation to impact liquidity and price discovery for certain financial instruments



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ● Elements of a marketplace, including: <ul style="list-style-type: none"> ○ Liquidity ○ Immediacy ○ Transparency ○ Price discovery ○ Fairness ○ Market integrity ○ Transaction costs ● Valid security ownership by an investor includes: <ul style="list-style-type: none"> ○ Final prospectus has been receipted (if applicable) or the security is otherwise eligible for distribution under applicable securities legislation ○ Agreement/commitment to purchase has been signed ○ Securities have been allocated such that the buyer is assured of receiving such securities ○ Transaction, between the issuer and the firm(s), is legally closed, which is different than "closing of the book" 	
II. Trade desk function, supervision and compliance	<ul style="list-style-type: none"> ● Role of internal trade surveillance ● Responsibilities of the head of trading and each person who has authority, supervision, or responsibility over the trading activities of the participant ● Trading desk compliance reviews 	<ul style="list-style-type: none"> ● Consider firm oversight over the activity of the traders to ensure compliance with all Exchange, ATS and IIROC requirements ● Consider any surveillance or trade desk review reporting conducted by a Supervisor or compliance department that is brought to the attention of the trader, including:



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ● P&Ps for a trading supervisory system, including: <ul style="list-style-type: none"> ○ Identification of relevant requirements ○ Documentation of the supervision system, which includes: <ul style="list-style-type: none"> ▪ Step-by-step descriptions of the testing methodologies, together with any definitions that would be necessary to explain the logic of the procedures ▪ Outline of the principal elements of the testing methodology, including frequency, sample size, and sources of information to be used ▪ Any exception reports, trading data and other documents to be reviewed as well as any systems that are used ○ Training and proficiency, including: <ul style="list-style-type: none"> ▪ Applicable requirements ▪ Adopted procedures ▪ Electronic systems used ▪ Changes in requirements, procedures, or systems ▪ Problems found by compliance monitoring ○ Proper delegation of supervisory and compliance personnel, including: <ul style="list-style-type: none"> ▪ No conflicts of interest 	<ul style="list-style-type: none"> ○ The written record of the report by the officer, director, partner, or employee ○ The details of an investigation that is the subject of the report and review ○ The written record of the findings of the investigation ○ The findings of the investigation are reported to the Market Regulator if finding results in a violation of an applicable provision of UMIR ● Verify all elements of the trade ticket are included for the purpose of an audit trail ● Identify and escalate potential regulatory rule infractions, including: <ul style="list-style-type: none"> ○ Incorrect or missing order marker ○ Order bundling ○ Restricted/grey/ list trading ○ Client principal trading ○ Normal Course Issuer Bids (NCIBs) ○ Control block sales ○ Manipulative and deceptive trading ● Report any issues identified, for the purpose of Regulatory Market Correction System (RMCS), to the appropriate Supervisor or compliance department



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Supervisors and compliance staff retain the responsibility for their respective obligations, even where the tasks have been delegated to others ○ Procedures for dealing with violations, including: <ul style="list-style-type: none"> ▪ Steps to correct identified problems ▪ Escalation procedures ▪ Documented corrective actions ○ Supervision systems, including: <ul style="list-style-type: none"> ▪ Updated requirements, procedures, systems, business lines, offices and employees and effective compliance testing ○ Results of compliance reviews, including identifying: <ul style="list-style-type: none"> ▪ Compliance problems ▪ Problems increasing or decreasing over time ▪ Previously identified issues that have been adequately addressed ○ Reports to a Board of Directors ● Trading of securities on a Grey or Watch List ● P&Ps for reporting complaints investigations and other trade related matters ● Complaint record-keeping requirements 	



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Marketplace rules on investigations, discipline and appeals 	
III. Role of Traders	<ul style="list-style-type: none"> • IIROC definition of Trader: <ul style="list-style-type: none"> ○ An individual, approved by IIROC as a Trader, whose activity is restricted to trading through a Marketplace Member’s trading system, and who may not advise the public • Types of Traders and clients, including: <ul style="list-style-type: none"> ○ Agency ○ Proprietary ○ Buy-side ○ Sell-side ○ Retail ○ Institutional 	<ul style="list-style-type: none"> • Consider function and relationship with: <ul style="list-style-type: none"> ○ RRs ○ Investment Representatives (IRs) ○ Portfolio Managers (PMs) ○ Compliance personnel ○ Trade surveillance personnel ○ Supervisors • Consider applicable regulatory requirements for RRs and IRs for executing trades, including responsibility to: <ul style="list-style-type: none"> ○ Verify all relevant details of a trade are accurately reflected in all orders placed ○ Ensure that trading is executed without discretion as to either the security traded, its quantity, price and/or the time of the trade for non-discretionary/non-managed accounts ○ Record trading details, including the client’s agreement ○ Remain available to client during trading hours or following firm P&Ps to ensure that a colleague is otherwise available ○ Identify irregular trading requests that are inconsistent with a client’s portfolio, past trading and investment objectives ○ Escalate concerns to Supervisor and compliance about suspicious, manipulative, or deceptive practices ○ Alert the trade desk to investigate with the Exchanges, if required



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
		<ul style="list-style-type: none"> ○ Identify and escalate suspicious activities and recommendations that reflect irregular requests, including rationale and actions taken
IV. Trade execution	<ul style="list-style-type: none"> ● Trade execution requirements, including: <ul style="list-style-type: none"> ○ Processes for placing orders ○ Processes for handling order errors and changes ○ Purpose and application of the cash account rule ○ Restriction process on overdue cash accounts ○ Requirements to confirm orders with clients, including fees and commissions ○ Types of buy, sell and short sell orders ○ Long and short margin accounts and special margin situations ● Handling trades for various types of accounts including: <ul style="list-style-type: none"> ○ Employee stock purchase plans ○ Insider and control sales ● Requirements for market making ● The impact of high-frequency trading on the marketplace with algorithms ● Different types of requirements applicable to Order Management Systems (OMS) 	<ul style="list-style-type: none"> ● Consider UMIR and applicable rules and securities regulations when entering orders and executing trades ● Ensure trades are conducted in accordance with firm procedures and risk/compliance standards ● Identify applicable requirements for entering specific trade orders ● Note specific client instructions on tickets or within trader notes to form part of an audit trail ● Ensure the correct trade markers are applied on each transaction to mark the audit trail of each individual order in the marketplace ● Follow guidelines for market making accounts, including that: <ul style="list-style-type: none"> ○ A letter from the listed company must be provided stating that the company is aware of the market making activity ○ Each market making account must have a dedicated account number trading only that security



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Characteristics of trading algorithms and strategies used to achieve execution objectives • Risks raised by failure to obtain adequate instructions on all elements of a trade, including: <ul style="list-style-type: none"> ○ Firm or trader held responsible for the loss resulting from the cancellation of the order ○ Internal discipline ○ Regulatory sanctions ○ Having to compensate clients for any losses that may subsequently result from the trade 	
V. Order and product features	<ul style="list-style-type: none"> • Designating orders, including: <ul style="list-style-type: none"> ○ Non-client orders for the account of a responsible designated trader at a market maker firm ○ Principal orders ○ Jitney orders ○ Orders that are part of a program trade ○ On account of an issuer that is purchasing pursuant to a normal course issuer bid • NCIB Marker • Order durations, including: <ul style="list-style-type: none"> ○ Day orders ○ Good til cancelled ○ Good til date ○ Immediate or cancel 	<ul style="list-style-type: none"> • Comply with specific marketplace rules on orders and products • Identify creditworthy derivatives counterparties willing to offer client a favourable price • Report pre-trade notification to the regulator for speciality crosses as needed



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Fill or kill ● Price types, including: <ul style="list-style-type: none"> ○ Market ○ Limit ● Order types, including: <ul style="list-style-type: none"> ○ Buy ○ Sell ○ Sell short ○ Limit orders ○ Limit on open ○ On-stop ○ On-book dark ○ Iceberg ○ Post only ○ Anonymous ○ Dark ○ Bypass ○ Long life ● Cross types, including: <ul style="list-style-type: none"> ○ Basis ○ Volume-weighted average price (VWAP) ○ Contingent ○ Internal ○ Bypass ○ Derivative 	



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Special trading session ● Minimum Ticks Rule <ul style="list-style-type: none"> ○ Selling under \$0.50 = \$0.005 ○ Selling at \$0.50 and over = \$0.010 ○ Board Lot size ● Short Marking Exempt Marker ● Other products & order features, including: <ul style="list-style-type: none"> ○ Routing ○ Drop copy orders ● Market Maker Program and Odd Lot Dealer System, including: <ul style="list-style-type: none"> ○ Odd lots ○ Minimum guaranteed fill size ○ Registered Trader (RT) participation ● Rules and requirements for Exchange-based derivatives trading, including: <ul style="list-style-type: none"> ○ Criteria and requirements of an approved participant ○ Eligibility criteria for Approved Persons (AP) and Foreign Approved Persons (FAP) to execute Trades on behalf of an approved participant ○ Product specifications for: <ul style="list-style-type: none"> ▪ Equity index options ▪ Equity options ▪ ETF options 	



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Currency options ▪ Futures and futures options • Treatment of long and short positions for derivatives • Price limits on options and futures, including: <ul style="list-style-type: none"> ○ X limits ○ Y limits ○ Top-of-the-book price limits • Behaviour and dynamics of the derivatives markets in which trading will be conducted • Risks and obligations resulting from derivatives trades • Firm’s duty to report derivatives data, including: <ul style="list-style-type: none"> ○ Creation data ○ Life-cycle event data ○ Valuation data ○ Errors and omissions • Fair pricing P&Ps when acting as principal in OTC derivatives trades, including taking into consideration all relevant factors, including: <ul style="list-style-type: none"> ○ Fair market value or settlement price of the equivalent listed derivative at the time of the transaction ○ Fair market value of the derivatives underlier and of any related derivatives involved in the 	



2. Trading in Capital Markets		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<p>same trading strategy at the time of the transaction</p> <ul style="list-style-type: none"> ○ Expense involved in effecting the transaction or transactions ○ Firm’s entitlement to a profit ○ Total dollar amount or dollar amount at risk of the transaction or transactions ● Trading agreements for derivatives transactions, positions, and accounts ● Requirements for firms writing Exchange-traded options on behalf of a client, including: <ul style="list-style-type: none"> ○ Trade execution through a margin account ○ Written margin account agreements ○ Written account agreement defining the rights and obligations relating to transacting in Exchange-traded options for registered accounts ● Requirements for firms writing, issuing, or guaranteeing over-the-counter options on behalf of a client, including: <ul style="list-style-type: none"> ○ Written margin agreements defining the rights and obligations relating to transacting in over-the-counter options ○ Supplementary over-the-counter options agreements defining the rights and obligations relating to transacting in over-the-counter options 	



2. Trading in Capital Markets

SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none">• Requirement for firms to calculate and obtain minimum client margin from clients with option positions according to the following:<ul style="list-style-type: none">○ All open written transactions and resulting short positions carried in a margin account○ Each option margined separately and:<ul style="list-style-type: none">▪ For equity, index participation unit, debt or currency options, any difference between the market price of the underlying interest▪ For index options, any difference between the current value of the index• Exercise price of the option has value only in providing the amount of margin required on that particular option	



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
I. Universal Market Integrity Rules (UMIR)	<ul style="list-style-type: none"> • UMIR, including applications to: <ul style="list-style-type: none"> ○ Participating Organizations (PO) ○ Abusive trading, including: <ul style="list-style-type: none"> ▪ Specific unacceptable activities ▪ Manipulative and deceptive activities ▪ Improper orders and trades ○ Short selling requirements and delivery obligations ○ Frontrunning ○ Order entry and exposure <ul style="list-style-type: none"> ▪ Designation and identifiers ▪ Exposure of client orders ▪ Trades to be on a marketplace ▪ Minimum size requirements of certain orders entered on a marketplace ▪ Provision of price improvement by a dark order ○ Trading in a marketplace, including: <ul style="list-style-type: none"> ▪ Liability for bids, offers and trades ▪ Contract record and official transaction record ▪ Recorded prices 	<ul style="list-style-type: none"> • Consider UMIR and applicable rules and securities regulations when entering orders and executing trades, including: <ul style="list-style-type: none"> ○ Risks brought about by electronic trading and DEA ○ Audit trail requirements ○ Areas for potential violations, including: <ul style="list-style-type: none"> ▪ Manipulative and deceptive practices ▪ Fair and equitable practices ▪ Disruptive trading ▪ Reporting requirements



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Cancelled trades ▪ Trading during certain securities transactions ▪ Trading in listed or quoted securities by a derivatives market maker ▪ Extended failed trades ▪ Variation and cancellation and correction of trades ▪ Inability to rely on marketplace functionality ▪ Direct electronic access and routing arrangements ○ Trading halts, delays, and suspensions, including: <ul style="list-style-type: none"> ▪ Regulatory halts, delays, and suspensions of trading ○ Compliance, including: <ul style="list-style-type: none"> ▪ Compliance requirement ▪ Extension of restrictions ▪ Suspension or restriction of access ▪ Power of market integrity officials ▪ Report of short positions ▪ Audit trail requirements ▪ Retention of records and instructions ▪ Exchange and provision of information by market regulators 	



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Synchronization of clocks ▪ Assignment of identifiers and symbols ○ Administration of UMIR, including: <ul style="list-style-type: none"> ▪ General exemptive relief ● UMIR Rules on Direct Electronic Access (DEA) and Routing Arrangements ● NI 23-103 Electronic Trading and Direct Electronic Access (DEA) to Marketplaces 	
II. Gatekeeping	<ul style="list-style-type: none"> ● Gatekeeper obligations of directors, officers, and employees of marketplace participants ● Gatekeeper obligations with respect to access to marketplaces ● Gatekeeper reporting, which includes: <ul style="list-style-type: none"> ○ Identification of the provisions of UMIR which may have been violated ○ Specific dates on which the activity took place (or may have taken place) ○ Identification of the security or securities involved ○ Identification of specific orders or trades including: <ul style="list-style-type: none"> ▪ Time of the order entry or trade execution ▪ Marketplace on which the orders were entered or executed ▪ Volume and price of the orders or trades 	<ul style="list-style-type: none"> ● Escalate any “red flags” which may be indicative of improper behaviour by a client, director, officer, partner or employee to Supervisor or compliance department ● Report any issues identified, for the purpose of gatekeeper reporting, to the appropriate Supervisor or compliance department ● Consider any gatekeeper reporting conducted by a Supervisor or compliance department that is brought to the attention of the trader including: <ul style="list-style-type: none"> ○ The written record of the report by the officer, director, partner, or employee ○ The details of an investigation that is the subject of the report and review ○ The written record of the findings of the investigation ○ The findings of the investigation are reported to the Market Regulator if finding results in a violation of an applicable provision of UMIR



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ▪ Names of all employees involved in the handling or entry of the orders ▪ Identification of the client on whose behalf the order or trade was entered or executed ○ How and when the behaviour was detected ○ All investigative and other actions taken in response to the initial detection ○ All actions taken or proposed to be taken in response to the findings of the investigation ○ Name, title, and contact information of the person filing the report ● Gatekeeping responsibilities, including: <ul style="list-style-type: none"> ○ Client’s typical financial activity and patterns in order to identify suspicious transactions ○ Applicable regulatory frameworks on whistleblowers ○ Applicable reporting obligations to firms and regulators ● Role of other IIROC Approved Persons and staff concerning market integrity and gatekeeping with respect to trades 	
III. Best execution	<ul style="list-style-type: none"> ● Rules and guidance on best execution including order handling ● P&Ps for best execution 	<ul style="list-style-type: none"> ● Consider UMIR and applicable rules and securities regulations when entering orders and executing trades



3. Trading Rules, Orders and Activities

SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Client disclosure of best execution policies • Minimum governance requirements for best execution, including: <ul style="list-style-type: none"> ○ Process designed to achieve best execution ○ Process for review of compliance with the best execution obligation • Order Protection Rule, including: <ul style="list-style-type: none"> ○ Differences between protected and unprotected marketplaces ○ P&Ps to operationalize prevention of trade-throughs of better priced protected bids and offers ○ Dark Trading ○ Directed Action Orders ○ Order Protection by Re-Price ○ Order Protection by Cancel 	<ul style="list-style-type: none"> • Regularly review P&Ps to ensure that the way in which client orders and order flows are managed are in compliance with best execution requirements • Consider that a marketplace participant’s client business must be conducted: <ul style="list-style-type: none"> ○ Within the bounds of ethical conduct and good business practice ○ In a manner consistent with just and equitable principles of trade ○ In a manner that is not detrimental to the interests of the investing public and the securities industry ○ Taking reasonable steps to specifically address identifying, disclosing, avoiding, or otherwise addressing material conflict of interests in the best interest of the client • Consider material conflicts of interest that may arise when sending client orders for handling or execution and how these conflicts are to be managed • Take account of order and trade information from all appropriate marketplaces • Consider any P&Ps for accessing or not accessing particular marketplaces where a firm will move an order entered on one marketplace to another marketplace • Consider best execution P&Ps when material changes to the trading environment or market structure occur and consult with others as needed • Consider the following factors when manually handling a client order for trades on a marketplace:



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
		<ul style="list-style-type: none"> ○ Direction of the market for the security ○ Depth of the posted market ○ Last sale price and the prices and volumes of previous trades ○ Size of the spread ○ Liquidity of the security ○ Client identifiers ● Consider the firm’s order handling and routing practices intended to achieve best execution of client orders for listed securities, including: <ul style="list-style-type: none"> ○ Identity of any marketplace to which the firm might route the client orders for handling or execution ○ Identity of each type of intermediary to which the firm might route the client orders for handling or execution ○ Circumstances where the firm may route client orders to a marketplace or intermediary ○ Circumstances, if any, under which the firm will move a client order entered on one marketplace to another marketplace ○ Nature of any ownership by the firm or an affiliated entity or arrangement with any marketplace or intermediary ○ If any client orders may be routed to an intermediary pursuant to an arrangement with that intermediary ○ Whether fees are paid by the firm or payments or other compensation is received by the firm for a client order



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
		<p>routed, or a trade resulting from a client order routed, to a marketplace or intermediary</p> <ul style="list-style-type: none"> ○ Circumstances under which the costs associated with the fees paid by firm or the compensation received by the firm will be passed on to the client ○ Whether routing decisions are made based on fees paid by the firm or payments received by the firm
<p>IV. Marketplace operations and trading processes</p>	<ul style="list-style-type: none"> ● Trading in the Book, including: <ul style="list-style-type: none"> ○ Committed orders to buy or sell a security on the Exchange ○ Trading in the special terms market ● Trading controls <ul style="list-style-type: none"> ○ Halts ○ Marketplace threshold parameters ○ Bid/ask limits ○ Single stock circuit breakers ● Trading hours and sessions, including: <ul style="list-style-type: none"> ○ Pre open <ul style="list-style-type: none"> ▪ Calculated opening price ○ Market on Open <ul style="list-style-type: none"> ▪ Opening allocation ▪ Guaranteed orders ▪ Delayed opening ○ Continuous trading ○ Odd lot trading 	<ul style="list-style-type: none"> ● Follow the rules of the marketplace on which the particular order is entered and executed to ensure compliance ● Consider UMIR rules when dealing with off-marketplace trades and transfers of existing positions in exchange-listed products ● Prior to the entry of an order, follow: <ul style="list-style-type: none"> ○ Applicable regulatory standards with respect to the review, acceptance, and approval of orders ○ Relevant P&Ps ○ All requirements of UMIR and each Policy ● Identify orders that are eligible from those not eligible to be entered into the book ● Identify proper steps that must be taken when applicable rules and regulations have been breached



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> ○ Market on Close (MOC) <ul style="list-style-type: none"> ▪ MOC-eligible Securities ▪ MOC imbalance determination ▪ MOC imbalance ▪ Calculated closing price ▪ Price movement extension ▪ Closing call allocation ▪ MOC volatility parameters ○ Post market cancel ○ Extended trading ○ Must Be Filled (MBF) session for option expiry ● Order books, including: <ul style="list-style-type: none"> ○ Central limit order book ○ Odd lot ○ Special terms ○ MOC ● Account types, including: <ul style="list-style-type: none"> ○ Client (CL) ○ Inventory (IN) ○ Non-client (NC) ○ Options market maker (OT) ○ Options firm account (OF) ○ Equities specialist (ST) ● Maximum price variation thresholds 	



3. Trading Rules, Orders and Activities		
SUB COMPETENCY	KNOWLEDGE For Traders to understand	BEHAVIOURS AND SKILLS For Traders to apply
	<ul style="list-style-type: none"> • Trading stages, including: <ul style="list-style-type: none"> ○ Pre-opening ○ No-cancellation stage ○ Opening/closing ○ Market session (continuous trading) ○ Intra-session auction periods • Cancellation and modification of orders • Order price filter • Order identification, including: <ul style="list-style-type: none"> ○ Order for an insider or significant shareholder • Block trades • Self trade prevention, including: <ul style="list-style-type: none"> ○ Cancel newest ○ Cancel oldest ○ Decrement and cancel ○ Trade and suppress • Regulatory exemptions from the requirement for trades to be on a marketplace (i.e. off-marketplace), including: <ul style="list-style-type: none"> ○ Exempt distribution from control ○ Exempt take-over bid ○ Trades by a controlling shareholder under a NCIB ○ Trades during a statutory resale restriction ○ Certain designated trades as principal 	

