

# IIROC ‘Tips for Traders’ CSTA Quebec City

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# IIROC Presenters

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# Topics

- Surveillance Update
  - What are we seeing
  - Surveillance System Project
- Trading 101 – test your knowledge



# Surveillance System Project

## Our Objectives

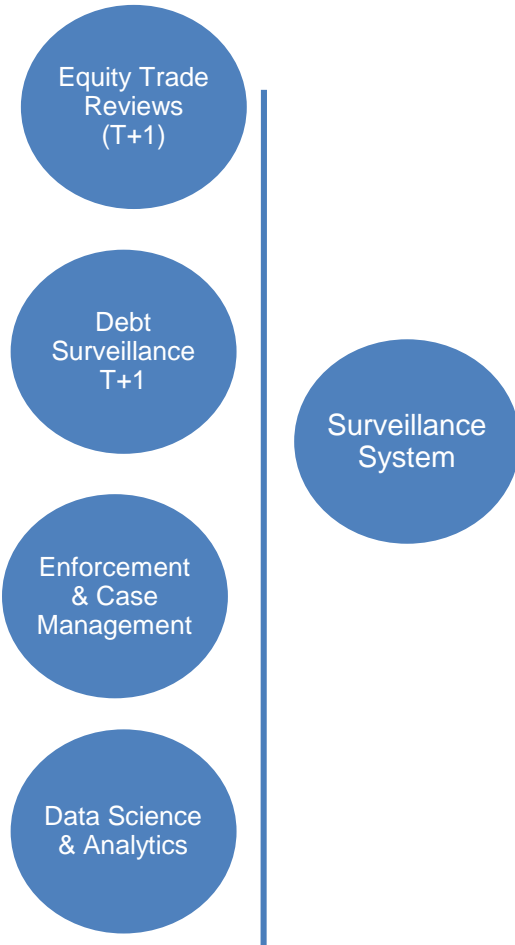
- Operational efficiency
- Effective surveillance
- A system that meets IIROC's current and future needs

## Our Solution

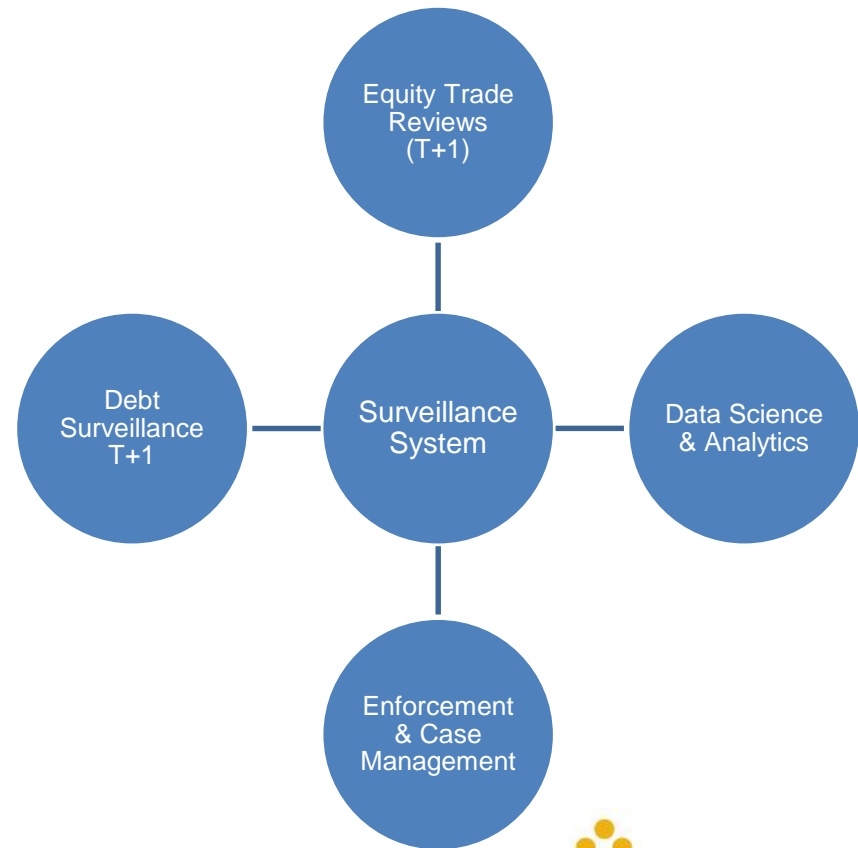
- Proven vendor/familiar product → with completely redesigned architecture
- Supports multiple asset classes
- Is accessible to all IIROC departments
- Is feature-rich and scalable

# Will eliminate the silos that currently exist in our legacy systems

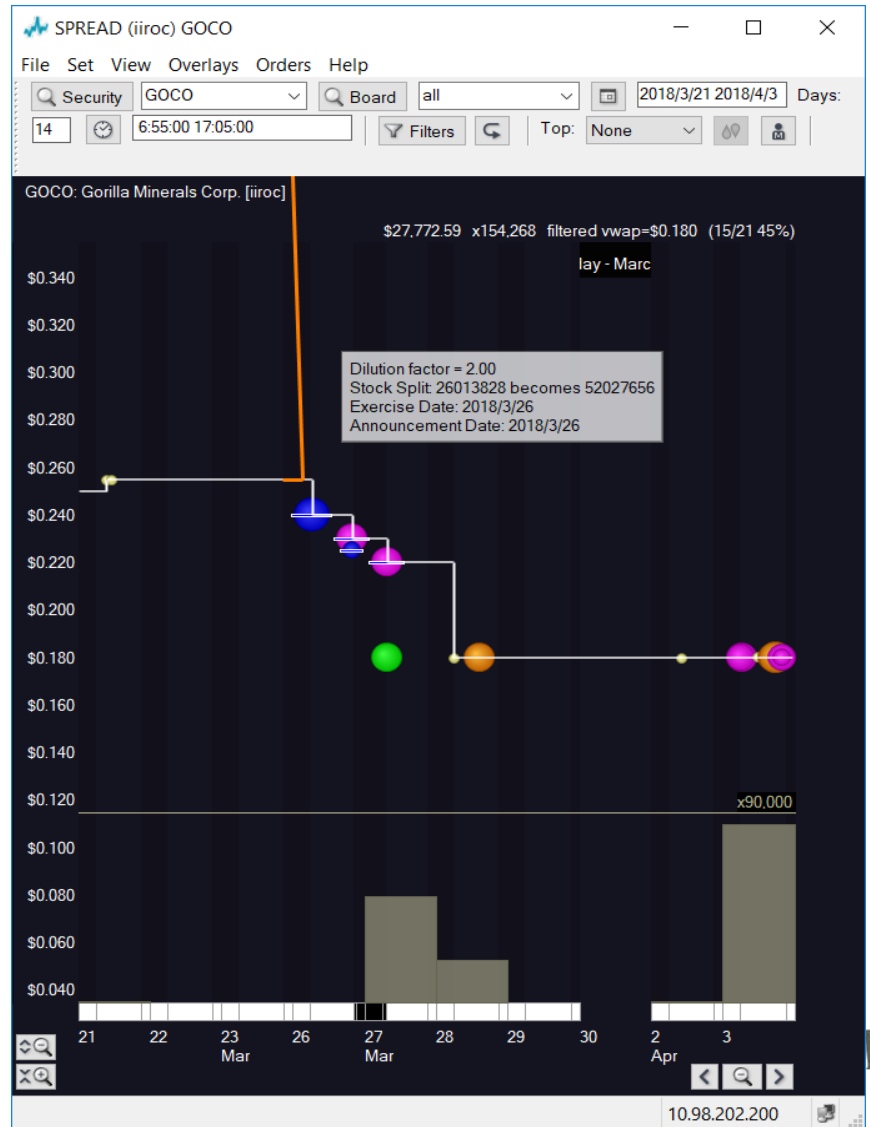
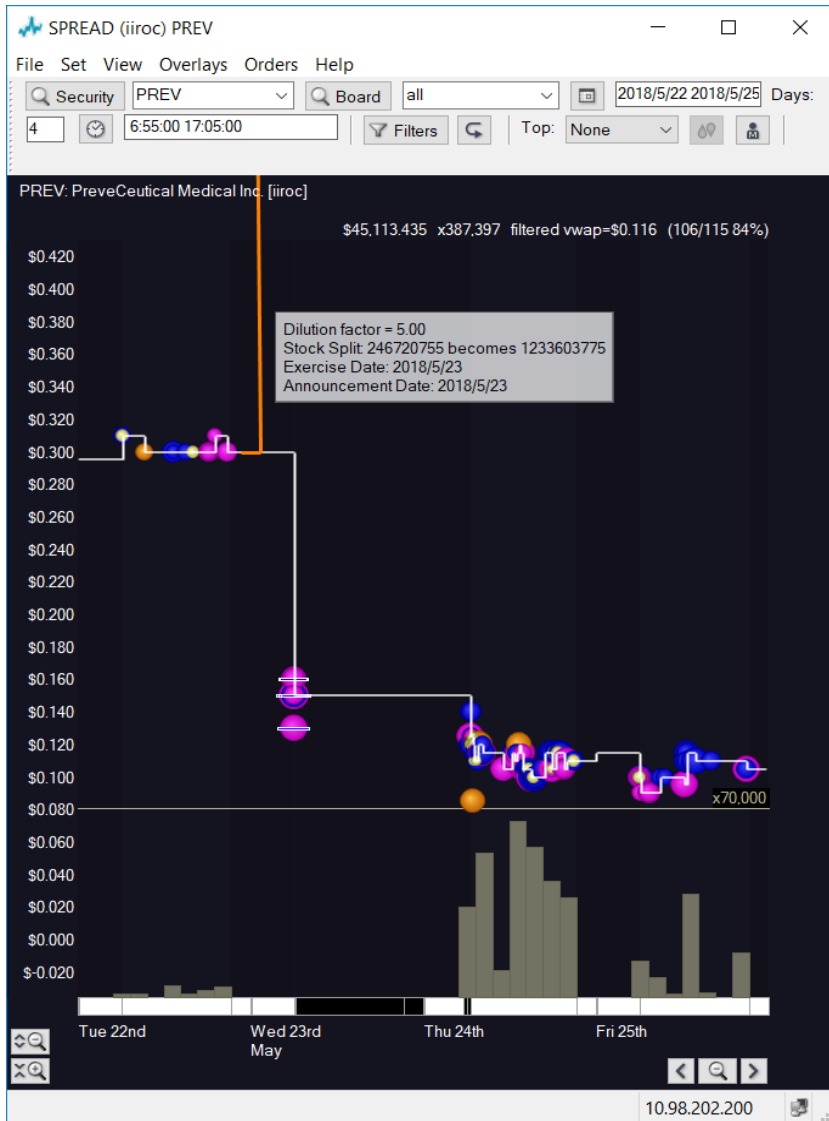
OLD



NEW



# Surveillance Trends

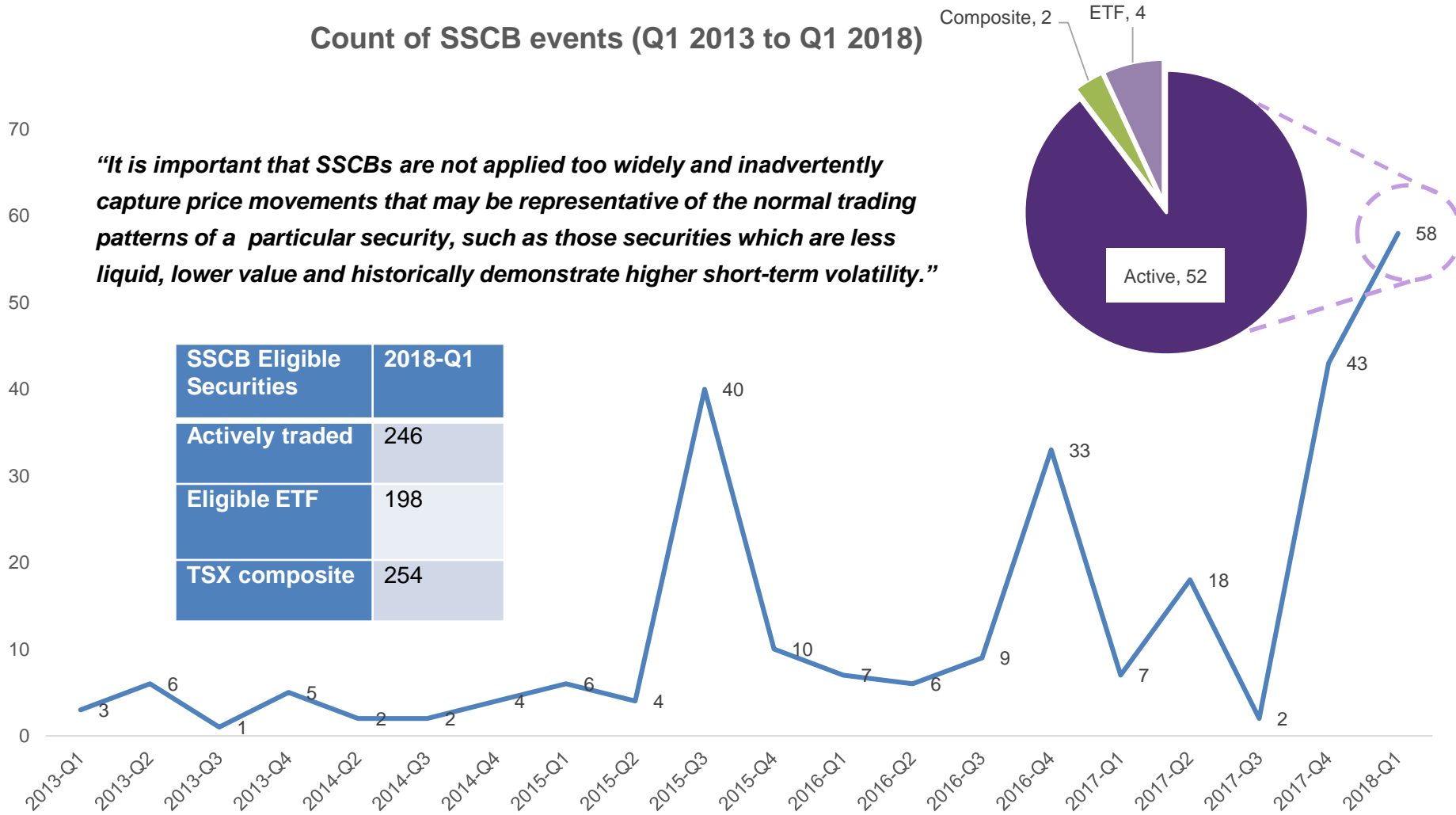


# Increased frequency of SSCB events in recent months

Count of SSCB events (Q1 2013 to Q1 2018)

*“It is important that SSCBs are not applied too widely and inadvertently capture price movements that may be representative of the normal trading patterns of a particular security, such as those securities which are less liquid, lower value and historically demonstrate higher short-term volatility.”*

SSCB Eligible Securities	2018-Q1
Actively traded	246
Eligible ETF	198
TSX composite	254



# SSCB - Maple Leaf Green World Inc [MGW]



RCVM



# The future evolution of Canada's SSCBs

- We are considering SSCB changes which may include:
  - Modifications to the SSCB eligibility criteria
  - Different SSCB treatment for securities that are inherently more volatile
  - Adding a measure for “consistently active” to the existing measure for “highly active”

# TRADER IQ – Test your Knowledge -



# Question 1

An order is received from a US based client to sell 50K shares of IIROC Inc. You find a buyer who is a European based client.



# Question 1

The trade of 50K is required to be printed on a marketplace under UMIR 6.4.

A. True

B. False

## Question 2

You want to put up a cross of 50,000 shares of XXX at 6.35. The market is currently 6.75 – 6.77. Last Trade 6.77.

	Bid	Offer		Last
500	6.75	6.77	500	6.77
100	6.70	6.78	300	
2000	6.69	6.80	500	
700	6.68	6.88	100	
100	6.65	6.89	300	

## Question 2

The cross may be printed as a “designated trade” and only protected bids better than 6.35 need to be displaced.

A. True

B. False

## Question 3

A dealer is part of a syndicate distributing a new issue at a price of \$10.00 per share, and the market is currently \$10.00 bid, offered at \$10.05. Market stabilization rules are in effect. The dealer receives an unsolicited, institutional client order to sell a block of free trading shares at \$10. Rather than hit the bid, the trader contacts a client who they think may be interested, with the goal of arranging a client/client cross.

## Question 3

The trade may be printed provided the price is no higher than \$10 and does not create an uptick.

A. True

B. False



## Question 4

It is after 4:00, the closing price on the TSX is \$12.75 and the closing bid is \$12.80. (The trade occurred at 3:57 p.m. after which a bid of \$12.80 was entered). A trader has a closing price order from a client and wishes to execute a cross at the TSX closing price of 12.75 on a marketplace other than the TSX.

## Question 4

- A. You can without any displacement obligation
- B. You can after displacing any better priced protected orders
- C. You may not execute the trade
- D. The trade must be printed on the TSX

## Question 5

You sold 50000 shares of IIROC Inc. for a client. IIROC Inc. is an actively traded security and you were able to trade the entire 50000 without significant price impact. You subsequently realize that you traded the wrong stock. Since your execution, the price of the security has rallied and the current market is significantly higher than your execution price. You contact market surveillance to have your trades cancelled since they were executed in error.

## Question 5

IIROC will make a ruling to cancel your trades that were executed in error.

A. True

B. False

## Question 6

You successfully win a basket from a client. The basket has a notional value of 5MM\$. You trade the basket successfully on the market except for two small components. 200 shares of a 4.00 security and 600 shares of a 2.00 security. You want to buy these two positions as principal to complete the order.

## Question 6

You are required to provide a better price as the orders are each less than 50 standard trading units and less than \$100,000.00.

A. True

B. False

## Question 7

Your firm supports electronic clients who use automated strategies to manage order creation and submission. Some clients employ multiple strategies resulting in some degree of unintentional crossing between the same client.



## Question 7

For each trade that is not a beneficial change of ownership you must:

- A. Have the marketplace cancel each trade
- B. Report any trade not cancelled to IIROC
- C. Do nothing as the trades were unintentional



## Question 8

A trader accepts a guaranteed VWAP order from a client at 9:00 a.m. The VWAP will be determined between 9:30 and 4:00. In accordance with IIROC guidance, the trader is required to notify IIROC prior to the start of the calculation period, but fails to follow the guidance.

## Question 8

You are permitted to put up the VWAP trade at the calculated price.

A. True

B. False

## Question 9

A client holds shares that are subject to a statutory hold period expiring in 3 months. The client may hedge their exposure by shorting the freely trading shares and carry the long/short position until the hold period expires.

A. True

B. False

## Question 10

When making decisions on where to route orders, a dealer is only required to consider those marketplaces that are “protected”.

A. True

B. False

# Questions?