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CSA and IIROC publish proposals on the regulatory framework for Dark Pools and Dark Orders

Toronto – The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) today published for comment Joint CSA/IIROC Position Paper 23-405 *Dark Liquidity in the Canadian Market*, which sets out the CSA and IIROC position regarding the regulatory framework for Dark Pools and Dark Orders in Canada.

The Position Paper is the next step in a process involving regulatory consultations with market participants on issues surrounding dark liquidity that began in 2009 with the publication for comment of Consultation Paper 23-404 *Dark Pools, Dark Orders, and Other Developments in Market Structure in Canada*. In March 2010, the CSA and IIROC hosted a forum to further discuss the issues raised in the consultation paper and the feedback received. On May 28, 2010, the two organizations published a notice setting out the themes discussed at the forum and next steps. The Position Paper deals with issues regarding dark liquidity, while other issues raised at the March 2010 forum are being addressed through separate CSA and IIROC projects.

“The recommendations aim to strike an appropriate balance between promoting marketplace competition and maintaining the quality of our markets,” said Jean St-Gelais, Chair of the CSA and President and Chief Executive Officer of the Autorité des marchés financiers (Québec). “We are proactively establishing a framework that fosters development of dark liquidity without negative consequences to market integrity.”

The CSA and IIROC are proposing that only orders that meet a minimum size threshold be exempt from the pre-trade transparency requirements imposed on marketplaces in Canada. In addition, the organizations are recommending 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 proposed changes will promote transparency and price discovery and enhance fair and equal access to liquidity for all investors, while recognizing the role that Dark Pools play in facilitating the execution of large orders,” said IIROC CEO and President Susan Wolburgh Jenah.

A copy of Joint CSA/IIROC Position Paper 23-405 *Dark Liquidity in the Canadian Market* is available on the websites of CSA members and IIROC. The public comment period for the paper is open until January 10, 2011.

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.

-30-

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