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Rules Bulletin> Request for Comments

Distribute internally to:

Institutional, Legal and Compliance, Operations,
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Rule Connection: UMIR

Division: Investment Dealer

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Proposed Guidance on Applicable Trading Increments

Executive Summary

The Canadian Investment Regulatory Organization (**CIRO**) is requesting comment on proposed guidance (**Proposed Guidance**) that establishes the process for determining and communicating the applicable trading increment for listed securities that are also listed on an exchange in the United States (**U.S. inter-listed securities**). The Proposed Guidance would facilitate the harmonization of Canadian trading increments for certain U.S. inter-listed securities with the equivalent minimum pricing increment for these securities as established by the U.S. Securities and Exchange Commission (**SEC**) in accordance with Rule 612 of Regulation National Market System in the United States (**Regulation NMS**). The Proposed Guidance is being published concurrently with proposed amendments to the Universal Market Integrity Rules (**UMIR**) respecting trading increments ([Proposed Amendments](#)).¹

The Proposed Guidance would:

- clarify the rationale for harmonization of trading increments for certain U.S. inter-listed securities in Canada with the applicable minimum pricing increments for those securities in the United States
- establish the process by which trading increments for U.S. inter-listed securities are determined and communicated by CIRO from time to time.

All rule references in the Proposed Guidance are to UMIR unless otherwise specified.

Appendix A sets out the text of the Proposed Guidance.

¹ CIRO Bulletin 24-0363 – Rules Bulletin – Request for Comments – UMIR – *Proposed Amendments Respecting Trading Increments* (December 12, 2024).

How to Submit Comments

Comments on the Proposed Guidance should be in writing and delivered by January 27, 2025 (**45** days from the publication date of this Bulletin) to:

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Comments should also be delivered to the Canadian Securities Administrators (**CSA**):

Trading & Markets Division Ontario Securities Commission 22 nd Floor 20 Queen Street West, Toronto, Ontario, M5H 3S8 e-mail: tradingandmarkets@osc.gov.on.ca	Capital Markets Regulation B.C. Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2 e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca
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Commenters should be aware that a copy of their comment letter will be made publicly available on the CIRI website at www.ciro.ca.

Questions

While comment is sought on all aspects of the Proposed Guidance, CIRI specifically requests comment on the following question:

Question 1

Rule 612 requires the primary listing exchange in the United States to measure the time weighted average quoted spread for each NMS stock, a measurement that determines the applicable minimum pricing increment. The primary listing exchange is also required to provide the applicable minimum pricing increment to various information processors for dissemination. We are soliciting feedback on the best approach to disseminating the applicable trading increment in Canada based on the data disseminated in the United States.

Guidance on Applicable Trading Increments

Executive Summary

The Canadian Investment Regulatory Organization (**CIRO**) is publishing guidance that establishes the process for determining and communicating the applicable trading increment for each security that is a U.S. inter-listed security,¹ and clarifies that the applicable trading increment for certain U.S. inter-listed securities is harmonized with the applicable minimum pricing increment for the same securities in the United States as established in accordance with Rule 612 of Regulation National Market System (**Regulation NMS**). Pursuant to Rule 6.1(1.1) of the Universal Market Integrity Rules (**UMIR**), CIRO will designate the applicable trading increment for each U.S. inter-listed security on a semi-annual basis and will publish a technical rules bulletin that lists each U.S. inter-listed security and the applicable trading increment for the next 6 months.

In this guidance, all rule references are to UMIR unless otherwise specified.

¹ A “U.S. inter-listed security” is defined in UMIR 1.1 to mean “... a listed security that is also listed on an exchange that is registered as a “national securities exchange” in the United States of American under section 6 of the Securities Exchange Act of 1934.”

1. Trading increments in UMIR

“Trading increment” is defined in UMIR 1.1 with reference to UMIR 6.1 *Entry of Orders to a Marketplace*.² Correspondingly, UMIR 6.1 establishes the minimum increment at which an order can be entered to trade on a marketplace. This minimum trading increment applicable to the entry of an order is dependent on both the price of the order and whether the security is a U.S. inter-listed security.

For a security that is not a U.S. inter-listed security, UMIR 6.1 prohibits the entry of an order to trade on a marketplace at a price that is in an increment smaller than:

- \$0.01 CAD for orders with a price equal to or greater than \$0.50 CAD
- \$0.005 CAD for orders with a price less than \$0.50 CAD

For a security that is a U.S. inter-listed security, UMIR 6.1 prohibits the entry of an order to trade on a marketplace at a price that is an increment smaller than the applicable increment as designated by CRO.

2. Co-ordination of trading increments with the United States for a U.S. inter-listed security

The Canadian and United States markets are highly integrated, notably due to the significant trading activity in securities that are listed on both a Canadian exchange and an exchange in the United States. Given the degree of interconnectivity and the ease with which a U.S. inter-listed security can be traded in either Canada or the United States, it is important that the Canadian market remains competitive relative to the United States.

On September 18, 2024, the United States Securities and Exchange Commission (**SEC**) adopted final rule amendments to Rule 612 of Regulation NMS, that establish variable minimum pricing increments for securities with a price equal to or greater than \$1.00 USD. The SEC established November 3, 2025, as the compliance dates for these changes.

Pursuant to Rule 612 of Regulation NMS, the primary listing exchange in the United States is responsible for calculating and disseminating minimum pricing increments based on United States trading data during an evaluation period as set out in Rule 612. The applicable minimum pricing increment for each security in the United States with a price equal to or greater than \$1.00 USD (including U.S. inter-listed securities), may change on a semi-annual basis.

To ensure harmonization with the United States where applicable, aligned with the SEC effective date of November 3, 2025, where the minimum pricing increment of a U.S. inter-listed security may change on a semi-annual basis pursuant to Rule 612 of Regulation NMS (*i.e.*, for NMS stocks priced equal to or greater than \$1.00 USD), CRO will harmonize the applicable trading increment in Canada for that U.S. inter-listed security with the applicable minimum pricing increment in the United States. For purposes of harmonization, no currency conversion will be applied to Canadian trading increments (*e.g.*, a \$0.005 USD minimum pricing increment in the United States will harmonize to a \$0.005 CAD trading increment in Canada).

² UMIR 1.1 defines a “trading increment” to mean “... the minimum difference in price at which orders may be entered in accordance with Rule 6.1”.

2.1 Process for communication of applicable trading increments for U.S. inter-listed securities

Pursuant to UMIR 6.1(1.1), prior to November 3, 2025, and on a semi-annual basis thereafter, CIRO will publish a technical rules bulletin that lists each U.S. inter-listed security and the applicable trading increment for the next 6 months. This will include both U.S inter-listed securities that are subject to a variable minimum pricing increment pursuant to Rule 612 of Regulation NMS (meaning, priced equal to or greater than \$1.00 USD in the United States) as well as those that are not.