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Rules Bulletin > Implementation Bulletin

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Rule Connection: UMIR

Division: Investment Dealer

Amendments Respecting the Reasonable Expectation to Settle a Short Sale

Executive Summary

On November 15, 2024, the Canadian Securities Administrators (CSA) approved amendments to the Universal Market Integrity Rules (UMIR) that support and clarify the short selling framework under UMIR by:

- adding a new positive requirement in UMIR 3.3 to have, prior to order entry, a reasonable expectation to settle on settlement date any order that upon execution would be a short sale
- adding supervisory and gatekeeper requirements pertaining to the requirement in UMIR 3.3
- consolidating other current provisions related to short selling to a common location within UMIR (**Amendments**).

On January 11, 2024, CIRO published for comment proposed changes to support and clarify the short selling framework under UMIR in CIRO Bulletin [24-0003](#) *Proposed Amendments Respecting the Reasonable Expectation to Settle a Short Sale*. To provide further clarity and a more complete view of the resulting regulatory framework, we simultaneously published proposed guidance for comment (GN-URPart3-[24-0004](#)) that clarified various current and proposed requirements related to short sales and failed trades (**Proposed Guidance**).

No changes to the proposed amendments were made. However, we have added some clarifications to the Proposed Guidance in response to public comments received and further industry consultation. The changes to the Proposed Guidance are described below.

Comments Received

We received seventeen comment letters in response to CIRO Bulletin [24-0003](#). Appendix C provides a summary of the public comments and our responses.

Description of Non-Material Changes to the Proposed Guidance

- We confirm the following in response to commenters' requests for clarification:
 - The new positive requirement for a reasonable expectation to settle under UMIR 3.3 does not represent a higher standard when compared to the prohibition against trading without a reasonable expectation to settle under UMIR Policy 2.2.
 - The Amendments do not mandate the use of easy-to-borrow lists (**ETB lists**). To avoid unnecessary confusion, we have amended the Guidance to discuss "borrow lists" that include the concept of hard-to-borrow lists as well as ETB lists. Borrow lists may include securities that have been determined to be readily available or hard to borrow, depending on the practice of the investment dealer. The use of borrow lists is one method for Participants or Access Persons to consider when determining the best method to achieve a reasonable expectation to settle.
 - The existence of a failed trade does not, by itself, mean that a Participant or Access Person did not have a reasonable expectation to settle on settlement date prior to the time of order entry.
 - When assessing client history where a Participant is executing trades for an originating dealer that is not a Participant, the executing Participant may focus their determination on a particular client of the originating dealer, rather than the entire originating dealer as a whole, provided that:
 - the originating dealer provides sufficient information regarding settlement history for the client at issue, such that the executing Participant is able to make a reasonable determination for the purpose of having a reasonable expectation to settle a future short sale.
- We also provide additional clarification on the roles between originating and executing dealers with respect to a reasonable expectation to settle.

Final guidance on short selling and failed trades (**Guidance**) is being published concurrently with this Bulletin and can be found at CIRO Bulletin [GN-URPart3-24-0002](#) *Guidance on UMIR Requirements Related to Short Selling and Failed Trades*.

Along with CSA staff, we will also continue to explore other areas of short sale regulations where additional regulatory measures may be appropriate, including but not limited to mandatory close-out requirements. Any additional proposed requirements would be introduced separately and published for comment as part of the policy development process.

Implementation

The Amendments and Guidance will become effective on April 4, 2025, being 120 days after the publication of this Bulletin.

Appendices

[Appendix A](#) - Amendments to UMIR (blackline)

[Appendix B](#) - Amendments to UMIR (clean)

[Appendix C](#) - Summary of comments received and CIRO's responses