



2012-0002

June 8, 2012

**Normal Course Issuer Bids  
Sections 628 and 629**

**STAFF NOTICE TO APPLICANTS, LISTED ISSUERS, SECURITIES LAWYERS AND PARTICIPATING ORGANIZATIONS**

Toronto Stock Exchange ("TSX") staff is providing guidance on Sections 628 and 629 of the TSX Company Manual (the "Manual") related to the use of the block purchase exceptions and securities purchased in error under a normal course issuer bid ("NCIB").

**Block Purchase Exceptions**

Pursuant to Subsection 629(l)(7) of the Manual, a listed issuer may make one purchase per calendar week which exceeds the daily repurchase restriction, subject to maximum annual aggregate limits. A block is defined in Subsection 628(a)(ii) as a quantity of securities that either:

- a) has a purchase price of \$200,000 or more; or
- b) is at least 5,000 securities and has a purchase price of at least \$50,000; or
- c) is at least 20 board lots of the security and total of 150% or more of the ADTV for that security

and are not owned, directly or indirectly by an insider of the issuer.

The daily repurchase restriction was designed to ensure that NCIB purchases do not account for a significant portion of trading during any day. Notwithstanding the daily repurchase restriction, the block purchase exception was created to allow an issuer to repurchase a large naturally occurring block on the market, rather than allowing the block to significantly impact the market. The block purchase exception was originally permitted based on comments relating to illiquid securities that would have limited daily repurchase allowances.

It has come to the attention of TSX that some dealers may be bundling pre-existing blocks to sell into one purchase order under an NCIB. TSX considers the combination or bundling of pre-existing blocks as inconsistent with the use of the exception as provided for under Subsection 629(l)(7), as well as the spirit and intent of the rules. A listed issuer is permitted to repurchase one block per calendar week under the exception. The combination of pre-existing blocks is considered inconsistent with the exception because it allows an issuer to exceed the one block per calendar week limitation.

TSX also considers it inappropriate to combine orders for the purpose of artificially creating a block and relying on the block purchase exemption because it allows an issuer to indirectly

avoid the daily repurchase restriction. As noted above, the block purchase exception was created to allow an issuer to repurchase a large naturally occurring block on the market.

### **Securities Purchased in Error under an NCIB**

Securities purchased in error under an NCIB which are taken into inventory by the buying broker firm may not be resold into an NCIB. Such trades would be considered pre-arranged trades and contrary to Subsection 629(1)(2). Dealers reselling such securities into the market should take steps to ensure that the securities are not resold into an NCIB. Such steps could include temporarily ceasing purchases under an NCIB during resale of such securities.

Please contact your Listed Issuer Services Manager if you have any questions