Market Regulation Policy

Canadian Investment Regulatory Organization

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Re: Proposed Guidance on Marketplace Thresholds and Single-Stock Circuit Breakers for Extended Trading Hours — Bulletin 26-0210

November 16, 2026

I am a retail client. I build roads for a living, I do not work on Bay Street, and I am not writing on behalf of a marketplace, a dealer, or an industry group. I am writing as the person at the other end of the order, the one whose savings are on the line when a trade fills at a bad price at 7:30 in the morning.

Before I get into what is wrong, credit where it is due. I was impressed by CIRO's guidance on prediction markets. You drew a line. Only certain kinds of contracts, no sports, no politics, at least 30 days, no leverage, only through regulated exchanges. You basically said, just because it exists somewhere else does not mean it gets a free pass here. Good.

So I was surprised to see the same regulator proposing to let extended hours go ahead before the guardrails for those hours are finished and tested. You were careful and strict there. Why are we being loose here? If anything, trading in people's retirement savings deserves even more care than a bet on an event. A lot more.

Here is what is wrong, point by point.

1. The sequencing is backwards. Do not open before the controls are ready.

Your own timeline says final guidance is targeted for January 2027, and

the new controls would not start until around May 2027, after a 120-day wait. That is when you will actually start watching how this works in extended hours and collecting the data.

November 30 to May is about six months of trading with no proper guardrails in place. Six months. That is not a gap, that is a season. Then I was reading the Globe and Mail and saw a marketplace is planning to go live this year. So this is not a hypothetical. A marketplace is about to open, and the guardrails are not ready yet.

I know this is not a case of no controls at all. Marketplace Thresholds and single-stock circuit breakers already exist in regular hours, and this proposal extends them into the 7:00 to 9:30 a.m. and 4:00 to 8:00 p.m. sessions, with monitoring and calibration to follow. That is a start, and I am not pretending otherwise.

And there is already a gap today. Circuit breakers only run 9:30 a.m. to 3:30 p.m., and Marketplace Thresholds only 9:30 a.m. to 4:00 p.m., yet trading already happens 8:00 a.m. to 5:00 p.m. So 8:00 to 9:30, and 3:30 to 5:00, are already trading with no breaker. Why has that not been addressed until now, and where is the line? If an hour and a half unprotected was acceptable, why do 7:00 to 9:30, two and a half hours, suddenly need new controls? If it was a risk, why was it left alone? This proposal would eventually close the gap, by extending the controls to 7:00 a.m. to 8:00 p.m. But until May, that gap stays open, and a marketplace going live on November 30 would be trading straight into it, for even longer hours.

But extending a control is not the same as having it ready. Those thresholds and triggers were set for deep, regular-hours markets, with lots of buyers and sellers on both sides. You say yourself that you are not changing the price parameters yet because there is no data on trading activity in extended hours. That is exactly the point. You do not have the data, so you do not know how thin these sessions will be, how wide spreads will get, or how often erroneous orders will move a price. You are proposing to go live before you have collected a single day of that

data, and then use the initial implementation period to find out whether it worked.

On my site, that is opening a new stretch of road with temporary cones and a flagger, and telling drivers you will count the accidents and then decide whether you need guardrails. The cones are something, I am not saying they are nothing. But they are not the finished road, and you do not learn that from the accident count. You build the road right first, then you open it.

Delaying a few months will not impact anyone. Nobody's life changes if we wait until May. Rushing it might change a lot of people's lives if something goes wrong. And when it does, "we were in a hurry" is not going to be much comfort to the person who lost their savings at 7:30 in the morning.

We have already waited years for this. Extended hours trading in the US has existed for years, for decades. We have waited that long. If we have waited that far, why can we not wait a few more months to do it properly? What is the rush, exactly? Who is it for?

2. The circuit breaker does not even cover the stocks that need it most.

This is the part that makes the least sense to me. Under the current rules, a single-stock circuit breaker only applies to certain securities: each security that is a constituent of the S&P/TSX Composite Index, each exempt exchange-traded fund made up principally of listed securities, each security that is considered "actively traded", and each Canadian Depositary Receipt made up solely of foreign securities.

In other words, the breaker protects the big, liquid names. It does not protect the rest.

That is backwards. The big, liquid names are the ones with deep books, tight spreads, and lots of buyers and sellers on both sides. They are the least likely to be pushed around by a single erroneous order. The names that are not actively traded, the smaller names with thin books, are the

ones that can move fast on very little volume. A single order, a fat finger, a bad price typed in at 7:30 in the morning, and there is nobody on the other side to absorb it. Those are the stocks that most need a pause. And those are exactly the stocks that do not get one.

In extended hours, that problem gets worse, not better. Liquidity is thinner for every name, but it is thinnest of all for the names that were already thin in regular hours. So you are extending trading hours to a time when books are at their thinnest, and keeping the automatic protection limited to the names that were already the safest. That is like putting a guardrail only on the straight, wide part of the road, and leaving the narrow bend with no barrier at all.

I know CIRO is not leaving those other names with nothing. Your guidance says a security that is not covered by the circuit breaker program will continue to be subject to regulatory intervention by a Market Integrity Official, using the existing authority under UMIR 10.9 to delay, halt, or suspend trading in the interest of a fair and orderly market. I have read that, and I am not pretending it does not exist.

But a discretionary halt is not the same as an automatic breaker, and that difference matters at 7:30 in the morning. An automatic breaker trips on its own, in five minutes, before more trades can fill at a bad price. A discretionary halt needs someone to notice the move, judge that it is unexplained, and act in time. By then, trades may already have filled. So my concern is not that there is no protection at all. It is that protection for thin names depends on human judgment after the fact, in the thinnest session of the day, while protection for liquid names is automatic.

I also understand the other side. I am not asking for an automatic halt on every thin name at the same trigger as a big liquid stock. A small stock can move 10 percent on ordinary news, and halting it every time would interrupt price discovery and trigger reopening auctions for no good reason. That trade-off is real.

So here is the question I want answered. If you are keeping automatic

breakers narrow for that reason, demonstrate why that approach still works in extended hours, when thin books get even thinner. Tell us how discretionary intervention will actually work from 7:00 a.m., how quickly a Market Integrity Official can act, and what data from the initial implementation period would make you widen automatic coverage, or set a different trigger for thin names.

3. Do not import the US gap.

I appreciate that CIRO is actually looking into this. In the US, Limit Up-Limit Down protections do not apply in extended hours yet. At least you are trying to do it right, instead of just copying them. But just because your neighbour is getting away with it does not mean you should do the same. Getting away with it is not the same as doing it right. If the crew next door is cutting corners and nobody fell yet, that does not make it safe. That just means they got lucky so far. And lucky is not a safety plan. Lucky is what you call it right before the accident report.

The adults in the room should be raising their standards, not lowering them to match the neighbour. On my site, the foreman sets the standard. He does not look at the sloppy road crew next door and say, "well, they are getting away with it." He says, "we do it right here." That is the job.

4. This is about trust, and trust is the whole job.

We live in a rule-based society, and having rules is fundamental for ensuring behaviour is in check by everyone. On my site, the rules are not there to make my day harder. The hard hat rule, the flagger, the speed limit through a work zone, the cones and the lane closures. They keep everybody in check, the apprentice and the foreman and the paving crew alike. Everybody knows where the line is, so everybody behaves. Take the rules away, or make them looser when no one is watching, and someone is going to test it. Someone always does. That is not cynicism, that is Monday morning on a road site.

Markets are no different. The rules are what make people trust the system.

If a regular retail investor has a bad experience, they put an order in at 7:30 in the morning, it fills at some crazy price because there was no guardrail, they lose money they cannot afford to lose. That sticks with them. They will not come back. They will tell their family and friends not to trust the market either. And once that trust is gone, good luck getting it back with a press release.

Retail is the fundamental reason why capital markets function. It is regular people putting their savings, their pensions, their kids' education money into this system because they trust it will be fair. They should be taken care of. They should be protected first, not last. Not after the launch party.

So I am asking CIRO to do three specific things:

1. Do not let any marketplace go live with extended hours before the Initial Implementation Period begins, targeted for May 2027, when the volatility controls for those hours are actually in place and calibrated. 2. Publish how discretionary intervention under UMIR 10.9 will work in extended hours for securities that are not covered by an automatic circuit breaker: what will be monitored, how quickly a Market Integrity Official can act, and what would trigger a halt. And publish what data from the initial implementation period would make you widen automatic coverage, or set a different trigger for thin names. 3. Publish, before the Initial Implementation Period, what data you will collect and what would trigger a change to the thresholds. If this is a phased approach, say what the phases are, and what success looks like.

Build the road right first. Then open it.

I am a curious person and I will have an eye on any upcoming changes and may comment again.

Sincerely,
Gordie Girder