

## TSX INC.

### NOTICE OF PROPOSED CHANGE AND REQUEST FOR COMMENTS

TSX Inc. ("TSX") is publishing this Notice of Proposed Change in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto".

The change will be effective upon approval by the Ontario Securities Commission (the "OSC") following public notice and comment. Comments should be in writing and delivered by June 2, 2014 to:

Colin Yao  
Legal Counsel, Regulatory Affairs (Equity Trading)  
Toronto Stock Exchange  
The Exchange Tower  
130 King Street West  
Toronto, Ontario M5X 1J2  
Fax: (416) 947-4461  
Email: [tsxrequestforcomments@tsx.com](mailto:tsxrequestforcomments@tsx.com)

A copy should also be provided to:

Market Regulation Branch  
Ontario Securities Commission  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
Fax: (416) 595-8940  
Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Comments will be publicly available unless confidentiality is requested. Upon completion of the review by commission staff, and in the absence of any regulatory concerns, notice will be published to confirm completion of commission staff's review.

#### Overview

A minimum quantity instruction is currently available for the Dark Midpoint order type. This optional instruction currently prevents a Dark Midpoint order from participating in a trade unless the tradable volume meets or exceeds the volume specified in the Minimum Quantity instruction. The Minimum Quantity instruction currently will only be accepted if the volume provided in the Minimum Quantity tag meets or exceeds 20 standard board lots. At the same price level, Dark Midpoint orders with a Minimum Quantity instruction will receive priority over Dark Midpoint orders and Dark limit orders without this condition.

Toronto Stock Exchange is proposing to decrease the minimum volume required for the Minimum Quantity instruction to be accepted from 20 to 5 board lots (the "Proposed Change").

## **Expected Date of Implementation**

The Proposed Change is expected to become effective in November 2014.

## **Rationale for the Proposal**

The 20 board lot requirement for the minimum quantity instruction to be accepted by TSX has resulted in this feature being underutilized by a number of participants. Participants see the value in providing dark liquidity and are willing to provide meaningful price improvement, however the risk profile of trading strategies frequently requires their order volumes to fall below the 20 board lot threshold.

Reducing the volume requirement to 5 board lots will allow more participants to use this order attribute and still incentivize participants to provide sizable dark liquidity at improved prices.

## **Expected Impact on the Market Structure**

This Proposed Change is not expected to have any material impact on market structure, members, investors or the Canadian capital market.

## **Expected Impact of Amendments on the Exchange's Compliance with Ontario Securities Law and in particular on requirements for Fair Access and Maintenance of Fair and Orderly Markets**

We believe that the Proposed Change is in full compliance with Ontario securities law and in particular on requirements for fair access and maintenance of fair and orderly markets. The Proposed Change does not introduce barriers to access and has the potential to increase the accessibility and utility of this attribute.

## **Estimated Time Required by Members and Service Vendors to Modify Their Own Systems (or Why a Reasonable Estimate was Not Provided)**

The Proposed Change is not expected to result in participants or service providers modifying their systems. We understand that users that currently utilize the feature have parameterized the volume tag eliminating the need to change their applications or algorithms.

## **Does this Approach Currently Exist in Other Markets or Jurisdictions**

The Minimum Quantity instruction has become a standard feature associated with dark orders and facilities, and is currently offered on marketplaces such as Alpha, CHI-X and MatchNow