

TSX INC.

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENTS

ENHANCEMENTS TO DARK TRADING FUNCTIONALITY

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

Market participants are invited to provide comments on the proposed changes. Comments should be in writing and delivered by December 29, 2017 to:

Carina Kwan
Legal Counsel, Regulatory Affairs
TMX Group
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2
Email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Email: marketregulation@osc.gov.on.ca

Comments will be made 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 and the Commission's approval.

Background fu2.616.9(t)-17T6(h)-11.4(e2.617(r)-4.T3 1 Tf -0.0w 0 w 3.33 00 6.0[(enhanc)-28er10T5(m)(a9(en

the Contra Midpoint Only (CMO) order.

the functionality of a dark midpoint match facility by
trade at the midpoint, but only with other orders that
provides users with an alternative to midpoint match
markets.

Expected Date of Implementation

The proposed changes are expected to become effective in Q2 2018.

Expected Impact

TSX is enhancing its current dark trading functionality to offer additional means of trading dark on TSX. TSX believes the CMO will provide an alternative to mid-point match functionality on standalone dark markets without the added burden, complexity and costs for industry associated with an additional (new) trading venue.

Expected Impact of Proposed Changes on the Exchange's Compliance with Ontario Securities Law

The proposed changes will not impact TSX's compliance with Ontario securities law and in particular the requirements for fair access and maintenance of fair and orderly markets. TSX will continue to apply appropriate execution logic to ensure conformance with dark price improvement requirements under section 6.6 of UMIR.

Estimated Time Required by Members and Service Vendors to Modify Their Own Systems after Implementation of the Proposed Changes

The midpoint peg functionality of the CMO order exists today on a variety of Canadian markets, including TSX and TSXV. Implementation for users is a significant effort.

APPENDIX A
 EXAMPLES INVOLVING CONTRA MIDPOINT ONLY ORDER

The following examples demonstrate the proposed functionality for CMO orders.

Example 1: Requirement for both sides to be CMO for match to occur, otherwise resting CMO can be bypassed

Book as follows:

	Order Ref #	BID order type	Lit / Dark	Timestamp	Volume	BID	ASK
<i>PNBBO</i>						<i>10.00</i>	<i>10.05</i>
TSX	1	CMO	Dark	10:00:01	5,500	10.025	
TSX	2	Midpoint (non-CMO)	Dark	10:00:07	1,000	10.025	
TSX	3	Limit	Visible	10:00:03	2,000		

Example 4: Execution at midpoint involving two CMO orders, with bypassing of other resting dark orders

Book as follows:

	Order Ref #	BID order type	Lit / Dark	Timestamp	Volume	BID	ASK
<i>PNBBO</i>						10.00	10.05
TSX	1	Limit	Dark	10:00:05	1,000	10.03	
TSX	2	Midpoint (non-CMO)	Dark	10:00:02	2,000	10.025	
TSX	3	CMO	Dark	10:00:09	5,500	10.025	

Action: Order #4 received – A sell CMO order for 4,000 shares marked IOC.

Result: Order #4 will trade 4,000 shares against Order #3 at the midpoint (\$10.025), on the basis that Order #4 will only interact with a contra-side CMO order. Orders #1 and #2 are bypassed despite being better priced and/or having better time priority, by virtue of being non-CMO. (Note: Order #1 is only executable against an incoming Midpoint order at the midpoint.)

Example 4.1: Similar outcome as Example 4 by virtue of other order conditions

Book as follows:

	Order Ref #	BID order type	Lit / Dark	Timestamp	Volume	BID	ASK
<i>PNBBO</i>						10.00	10.05
TSX	1	Limit	Dark	10:00:05	1,000	10.03	
TSX	2	Midpoint (non-CMO)	Dark	10:00:02	2,000	10.025	
TSX	3	Midpoint (non-CMO)	Dark	10:00:09	5,500	10.025	

Action: Order #4 received – A sell non-CMO Midpoint order for 4,000 shares with MIS of 2,500 shares.

Result: Order #4 will trade 4,000 shares against Order #3 at the midpoint (\$10.025), on the basis that Orders #1 and #2 did not meet or exceed the MIS condition of 2,500 shares, despite being better priced and/or having better time priority. (Note: Order #1 is only executable against an incoming Midpoint order at the midpoint.)