

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".

are re-priced due to quote changes will never take the active side of a trade if they are tagged as post only.

As indicated by the above, two contra-side Post Only dark orders that are eligible to match based on price will not execute. Instead, both will maintain their price until executing against an active order. In addition, no execution will take place between a resting dark limit order and an incoming contra-order marked Post Only with the same price as the resting order. Instead, both orders will sit in the book at the locked price and will not execute against each other unless the first resting dark limit order is CFO'd by the trader and becomes a new order in accordance with existing TSX CFO handling procedures.

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The user of a non-Post Only pegged order would also expect that it may pay active fees even after the non-Post Only pegged order is booked in the event that a repricing causes it to interact with resting contra-side orders at the new price level. For example, this will arise today on TSX where a midpoint order reprices to a new price level resulting in a match against a resting contra-side dark limit order, irrespective of which of the two orders was booked first. We expect that other Canadian marketplaces currently execute non-Post Only pegged orders in a similar manner.

The above exemplifies the trade-off that arises between Post Only and non-Post Only in terms of likelihood of execution and fees. A user may choose to use the non-Post Only attribute when the objective is to maximize trading opportunities, and will choose to use Post Only orders when sensitive to fees.

Expected Date of Implementation

The proposed changes are expected to become effective in November 2016.

Expected Impact

TSX is extending the Post Only functionality to dark orders in response to customer demand, and to remain competitive with the offerings of other marketplaces.

This feature will encourage potential liquidity providers to post price improved liquidity to the benefit of retail, institutional and/or dealer order flow. A trader seeking fee certainty and who does not have a need for immediacy will be able to use this optional feature to post dark orders to execute with incoming liquidity while mitigating his/her transaction costs.

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.

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

The application of the Post Only attribute to dark orders represents an extension of the applicability of existing features, and is a feature already available on other markets. On that basis, we do not anticipate that it will necessitate material efforts by TSX Participating Organizations and service vendors to accommodate the extension of this existing Post Only feature to dark orders. We also note that the feature only affects dark orders which are unprotected for regulatory purposes and its use is optional.

In any event, based on current planned implementation timelines, we anticipate that at least 90 days will be provided between regulatory approval of the proposed change and implementation. Although the proposed change is not 'material', this timing is consistent with the expectations set out in OSC Staff Notice 21-706 *Marketplaces' Initial Operations and Material System Changes* applicable to 'material' systems changes and the launch of new marketplaces.

Do the Changes Currently Exist in Other Markets or Jurisdictions

We understand that the post only attribute can be used on mid-point (dark) orders on Aequitas Lit Book.

The post only attribute is also available for use with dark orders on Nasdaq CX and CX2,¹ and was included as part of Nasdaq's dark pool proposal (Nasdaq CXD).²

We also understand that, for the illustrative scenario outlined above, the same trade outcome will result on Nasdaq CX today, based on current functionality.

¹ According to the Nasdaq CX/CX2 subscriber manual at http://business.nasdaq.com/Docs/Nasdaq%20Subscriber%20Manual_a_tcm5044-27192.pdf

² http://www.osc.gov.on.ca/documents/en/Marketplaces/ats_20160505_rfc-change-new-dark-trading-book.pdf