

TSX VENTURE EXCHANGE INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX Venture Exchange Inc. ("TSXV") is publishing this Notice of Proposed Amendments. The Proposed Amendments will be effective upon approval by the British Columbia Securities Commission and Alberta Securities Commissions (the "Commissions") following public notice and comment.

Market participants are invited to provide comments on the proposed changes. Comments should be in writing and delivered by December 3, 2018 to:

Anastassia Tikhomirova
Legal Counsel
TMX Group
300 – 100 Adelaide Street West
Toronto, Ontario M5H 1S3
Email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Doug MacKay
Market Structure Specialist
Capital Markets Regulation Division
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, British Columbia V7Y 1L2
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Proposed Amendments

TSXV is proposing the following amendments to the TSXV Rule Book to introduce enhancements to the MOC facility operated by the TSXV (the “Proposed Amendments”):

1. Create a new CO order type that:

- Can be entered from 7:00 a.m. to 4:00 p.m., and only on symbols that are MOC eligible;

- Can be entered on either side of the book to offset a MOC Imbalance in either direction;

- Must contain a limit price;

- Will not contribute to the published MOC Imbalance at 3:40 p.m.;

- CO orders may continue to be entered in the MOC Book on either side of the published MOC Imbalance with no restrictions on order volumes;

- Will only trade if offsetting an imbalance, and will only trade in the MOC closing allocation;

- At 4:00 p.m., CO orders that are priced more aggressively than the same side TSXV Best-Bid-and-Offer (“TBBO”) will be repriced to the TBBO; and

- Will match last in the allocation, with matching between COs following Broker/time priority, at each price level;

2. Allow non-pegged dark limit orders resting in the central limit order book (“CLOB”) to participate in the closing auction:

- At 4:00 p.m., dark limit orders resting in the CLOB that are priced more aggressively than the same side TBBO will be repriced to the TBBO;

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Expected Date of Implementation

The proposed changes are expected to become effective in the second quarter of 2019.

Expected Impact

The changes being introduced to the MOC facility have the potential to positively increase participation and to reduce volatility of the closing price for MOC eligible symbols.

The introduction of the CO order provides an additional source of liquidity to offset an imbalance going into the closing auction, and thus should increase the efficiency of the closing process. The inclusion of CO orders would never add to, or result in a flipped imbalance. Rather, if the aggregate number of shares comprising outstanding CO orders was larger than the number of shares required to offset the imbalance, only the amount of shares necessary to fulfill any actual imbalance would be executed. CO orders will be allocated last in priority at all price levels, as they are meant to supplement the existing orders on the book by providing additional liquidity in the event of an imbalance in the closing allocation. In the event of a flipped imbalance, CO orders will be valuable to satisfy that imbalance at the calculated closing price, (subject to their stated limit), without having to go through multiple price levels.

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APPENDIX A

AMENDMENTS TO THE TSXV RULE BOOK

Rule A1.01 – Definitions

[...]

“MOC Closing Offset Order” means a MOC Limit Order that only trades on the side of the MOC Book that is offsetting the imbalance, and never at a price within the market’s best bid and offer.

Amended [], 2018

“MOC Order” ~~includes~~ means a MOC Limit Order ~~and~~ a MOC Limit Order or a MOC Closing Offset Order.

Added ~~December 12, 2011~~ [], 2019

[...]

Rule C.2.55 – Market-On-Close

[...]

(2) MOC Order Entry

- (a) MOC Market Orders and MOC Limit Orders may be entered, cancelled and modified in the MOC Book on each Trading Day from 7:00 a.m. until the time the first MOC Imbalance is broadcast. MOC Closing Offset Orders may be entered, cancelled and modified in the MOC Book on each Trading Day from 7:00 a.m. until the Closing Call. MOC Market Orders and MOC Limit Orders that are included in any MOC Imbalance broadcast may not be cancelled or modified after that MOC Imbalance is broadcast.
- (b) The MOC Imbalance is calculated and broadcast on each Trading Day at twenty minutes before the closing time and again in the event of a delay of the Closing Call as specified by the Exchange.
- (c) Following the broadcast of a MOC Imbalance, MOC Limit Orders may be entered in the MOC Book on the contra side of the MOC Imbalance. MOC Limit Orders not included as part of that MOC Imbalance broadcast may be cancelled subject to established time constraints as specified by the Exchange.
- (d) In the event of a delay of the Closing Call for a MOC Security, MOC Limit Orders may be entered in the MOC Book for such security on the contra side of the subsequent MOC Imbalance for a set period of time specified by the Exchange. Pursuant to paragraph (c), MOC Limit Orders entered during the delay may be cancelled during this time period. MOC Closing Offset Orders may continue to be entered in the MOC Book on either side of the MOC Imbalance.

Amended November 14, ~~2014 and~~ 2014, November 21, 2016 and [], 2019

(3) Closing Call

[...]

(c) Orders shall execute in the Closing Call in the following sequence:

- (i) MOC Market Orders shall trade with offsetting MOC Market Orders entered by the same Member, according to time priority, provided that neither order is an unattributed order; then
- (ii) MOC Market Orders shall trade with offsetting MOC Market Orders, according to time priority; then
- (iii) MOC Market Orders shall trade with offsetting limit orders in the Closing Call entered by the same Member, according to time priority, provided that neither