TSX INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

FUNCTIONALITY

SDL to also execute against dark resting liquidity at the Protected NBBO, subject to the 'large' size requirements for at-the-quote dark executions.[2]

The SDL Plus feature will allow users to specify a third execution option for their SDL IOCs/FOKs that will cause the order to execute against resting price-improving dark liquidity followed by resting visible liquidity at the Protected NBBO

to trade. The Minimum Interaction Size (MIS) feature will not be available for SDL Plus. Information on MinQty functionality is available in TSX's Dark Liquidity Guide.[3]

Examples of SDL Plus functionality are provided in Appendix A to this notice.

Expected Date of Implementation

The proposed changes are expected to become effective in Q3 2019 at the earliest.

Expected Impact

TSX believes the SDL Plus feature will provide users with additional means to maximize their interaction against dark price-improving volume resting on TSX via a variety of active routing strategies. These include cross-seeking routing strategies employed by various participants today, whereby they seek to trade against their own visible resting orders.

By using the SDL Plus feature, it also provides opportunities for dealers to maximize the volume filled against their clients' orders resting on TSX, reducing information leakage where it allows for the order to be fully satisfied.

Impact in the context of internalization

We appreciate that some may view the SDL Plus feature as facilitating an increase in broker preferencing in Canada, and thereby helping to promote internalization. We also acknowledge that increased internalization has been and continues to be a topic of debate amongst industry participants. TMX held an industry roundtable discussion on internalization in January 2018,[4] and a concept paper from the Canadian Securities Administrators to further explore the topic has

the introduction of SDL Plus will not necessarily increase market-wide 'internalization' rates[6] further, and may actually help to reduce those rates.

Regarding the last of the above points, our expectation is that primary use of SDL Plus will be by those already using cross-seeking active routing strategies. In that case, we would expect use of SDL Plus to shift such activities away from other markets to TSX resulting in no overall net change to market-wide 'internalization' rates. To the extent that SDL Plus is successful at providing price-improving dark volume to those strategies, this could also have the effect of reducing market-wide internalization rates by shifting traded volume from what otherwise is occurring through a broker-preferred trade on other markets to volume that trades against price-improving 'any-broker' dark resting volume on TSX.

Expected Impact of Proposed Changes
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 Amendments

SDL functionality currently exists on TSX. Implementation effort for users is negligible as it will involve specification of one additional tag value for SDL orders to identify it as being SDL Plus. Usage is also optional.

Based on current planned implementation timelines, we anticipate that at least 90 days will be provided between regulatory approval and implementation, which should be sufficient to allow adoption by those that wish to take advantage of the SDL Plus order feature.

Do the Changes Currently Exist in Other Markets or Jurisdictions

As indicated above, SDL functionality exists today on TSX. Various participants also employ cross-seeking routing strategies through which they seek to trade against their own visible resting orders. SDL Plus will allow participants using these strategies to increase the amount of dark price-improving liquidity that can be captured in the process.

In technical terms, SDL Plus simply represents a limit or condition on an existing IOC/FOK (in addition to the order's limit price and volume) that defines the point in the normal execution path at which the IOC/FOK is to stop. An SDL Plus will execute against resting dark volume following normal dark priority allocation rules on TSX, and will continue to execute against visible volume where current priority allocation logic allocates volume from the same broker first (both sides must be broker attributed). The SDL Plus order establishes a condition that halts the execution of the

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[6] As measured by market-wide attributed unintentional cross rates.

IOC/FOK after the end of the broker preferencing allocation tier, assuming that the IOC/FOK's price and volume limits have not already been breached.

APPENDIX A
EXAMPLES INVOLVING SDL PLUS ORDERS

The following examples demonstrate the proposed functionality for CMO orders.

Example 1: *Execution of SDL Plus against visible volume.*

Book as follows:

Order Ref #	Lit / Dark	Public Broker #	Timestamp	Volume	BID