

## TSX INC.

### NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX Inc. (“**TSX**”) is publishing this Notice of Proposed Amendments and Request for Comments 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 July 27, 2020 to:

Denno Chen  
Director, Regulatory Affairs  
TMX Group  
100 Adelaide Street West, Suite 300  
Toronto, Ontario M5H 1S3  
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  
Email: [marketregulation@osc.gov.on.ca](mailto: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, a notice will be published to confirm Commission approval.

#### Background

TSX is proposing to post for trading sustainable bonds (“**Sustainable Bonds**”) that satisfy the eligibility criteria set by TSX. The eligibility criteria is set forth in the table below in the row titled “Eligible Securities”. It is anticipated that TSX will post for trading Sustainable Bonds issued in Canadian or US dollars, and the Sustainable Bonds will trade in the currency in which they are issued. TSX anticipates initially posting for trading approximately 30 Sustainable Bonds.

The posting of Sustainable Bonds for trading on TSX is intended to increase the accessibility and transparency of these securities to Canadian investors.

TSX is proposing changes to the TSX Rule Book and to certain TSX marketplace functionality (collectively, the “**Proposed Amendment**”) to accommodate trading of Sustainable Bonds on TSX. The Sustainable Bonds will not be listed by TSX, but will only be posted for trading similar to how a Canadian ATS posts TSX-listed securities for trading today.

#### Proposed Amendment

The following table outlines the key features of trading Sustainable Bonds on TSX. As Sustainable Bonds are intended to trade and clear through existing TSX and The Canadian Depository for Securities Limited (“**CDS**”) infrastructure and processes, the trading functionality and processes associated with these securities will generally mirror those associated with trading TSX-listed securities on TSX (including listed notes and debentures).

**TSX  
Participating  
Organizations  
("TSX POs")  
Access**

- No new connections required to access trading in Sustainable Bonds as all trading will be conducted on the TSX trading platform and through existing TSX PO connections/sessions.
- TSX POs will automatically have access to trading in Sustainable Bonds so long as they have acknowledged receipt of certain risk disclosures required to be made prior to the TSX PO's first order of a Sustainable Bond. If acknowledgement of receipt is not obtained, TSX will not allow the TSX PO to trade the Sustainable Bonds.

<p style="text-align: center;"><b>Data</b></p>	<ul style="list-style-type: none"> <li>• No new real-time data feeds.</li> <li>• Real-time order and trade data regarding Sustainable Bonds will be disseminated through the existing real-time data feed products for TSX-listed securities.</li> <li>• Sustainable Bonds will be identified with product type of “Bond” on the symbol status messages.</li> </ul>
<p style="text-align: center;"><b>Clearing and Settlement</b></p>	<ul style="list-style-type: none"> <li>• Only Sustainable Bonds that are CDS-eligible will be permitted to trade on TSX.</li> <li>• Clearing and settlement will be the same as currently listed notes and debentures.</li> <li>• As all executed trades in Sustainable Bonds will be between TSX POs and for securities that are CDS-eligible, they will clear and settle through the same CDS infrastructure and processes applicable to trades in TSX-listed securities.</li> </ul>

Please see **Appendix A** for a blackline of the Proposed Amendments. The Proposed Amendments and their rationale are outlined in more detail below.

**Details and Rationale**

1. Expansion of the security types that can be traded on TSX to include Sustainable Bonds

Although TSX currently has the option to post for trading securities that are not listed by TSX, this is limited

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See the Proposed Amendments in Appendix A to TSX Rules 4-701 and 4-702 that define the application of the current TSX opening mechanism to Opening Eligible Securities. New Rule 4-703 is also being proposed to introduce a framework to allow for the future introduction of a separate opening mechanism for securities that are not Opening Eligible Securities.

### 3. Ancillary Amendments

The following additional change to the TSX Rules will be necessary to accommodate the trading of Sustainable Bonds on TSX:

- Removal of references to 'listed' securities where the TSX Rules would otherwise apply to any security posted for trading on TSX. (TSX Rules 4-1103, 5-203 and 5-302)

### **Expect**



### **Does the Proposed Amendment Currently Exist in Other Markets or Jurisdictions**

In December 2010, the Ontario Securities Commission approved a proposal by Omega ATS to post "select unlisted Government of Canada Debt securities and Canadian corporate (public corporations), listed and unlisted debt securities" for trading.<sup>4</sup>

Outside of Canada, bonds are posted for trading (but not listed) on the Vienna Stock Exchange and the Prague Stock Exchange.

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<sup>4</sup> Please see: [https://www.osc.gov.on.ca/en/Marketplaces\\_at\\_20100903\\_rfc-omega.htm](https://www.osc.gov.on.ca/en/Marketplaces_at_20100903_rfc-omega.htm) IE:  
<https://www.investmentexecutive.com/news/industry-news/omega-to-trade-canadian-debt-u-s-equities/>

**APPENDIX A  
BLACKLINE OF AMENDMENTS TO TSX RULE BOOK**

**PART 1 - INTERPRETATION**

**Rule 1-101 Definitions (Amended)**

[...]

(2) In all Exchange Requirements, unless the subject matter or context otherwise requires:

[...]

“eligible foreign exchange-traded security” means a foreign exchange-traded security as defined in National Instrument 21-101 – Marketplace Operation which has been posted for trading on the Exchange.

Added ([•], 2020)

[...]

“Opening Eligible Securities” means securities in respect of which opening trades may be executed at the calculated opening price as designated by the Exchange.

Added ([•], 2020)

“opening time” means the time fixed by the Board for the opening of Sessions of trading in ~~listed~~securities.

Amended ([•], 2020)

“Other Security” means a security that is posted for trading on the Exchange, but not listed by the Exchange, which may include eligible foreign exchange-traded securities.

~~[...]~~ Added ([•], 2020)

“security” when used to describe a security that trades on the Exchange means:

- (a) a listed security (as such term is defined herein); and
- (b) ~~a security that is posted for trading on the Exchange, but not listed by the Exchange.~~  
an Other Security.

~~Added~~ Amended (February 24, 2012 and [•], 2020)

[...]

**DIVISION 7 - OPENING**

**Rule 4-701 Execution of Trades at the Opening for Opening Eligible Securities**

[...]

**Rule 4-702 Delayed Openings for Opening Eligible Securities (Amended)**

(1) ~~A security~~ An Opening Eligible Security shall not open for trading if, at the opening time:

- (a) orders that are guaranteed to be filled pursuant to Rule 4-701 cannot be completely filled by offsetting orders; or
- (b) the COP exceeds price volatility parameters set by the Exchange.

**Amended ([•], 2020)**

(2) A Market Maker or Market Surveillance Official may delay the opening of ~~a security~~ an Opening Eligible Security for trading on the Exchange if:

- (a)





- (3) The Exchange will halt the trading of a posted security if:
- (a) the security is subject to a regulatory halt; or
  - (b) if applicable, the security is no longer listed by a ~~recognized~~an exchange or is suspended from trading by the ~~recognized~~ exchange.

~~Added~~Amended (February 24, 2012 and ~~[•]~~, 2020)

## **PART 5 - CLEARING AND SETTLEMENT OF TRADES IN SECURITIES**

[...]

### **Rule 5-203 Certificates Not Good Delivery**

Delivery of any of the following certificates shall be deemed not to be good delivery:

- (a) a defaced or torn certificate;
- (b) a certificate registered in the name of a firm or company that has made an assignment for the benefit of creditors or has been declared bankrupt;
- (c) a certificate on which the form of power of attorney to transfer has been signed by:
  - (i) a trustee, or
  - (ii) an executor or administrator;
- (d) a certificate with document attached;
- (e) a certificate of a company maintaining share registers in Ontario and elsewhere that is registered only on a register located outside of Ontario and is therefore not transferable on the Ontario register except after transfer to the Ontario register;
- (f) a certificate indicating that subsequent transfer by the purchaser is restricted in any way, unless the entire class of ~~listed~~ securities traded on the Exchange is subject to the same restriction or unless the trade was made subject to that restriction; or
- (g) a certificate not acceptable as good transfer by the transfer agent.

Amended (~~[•]~~, 2020)

[...]

2. Where the Participating Organization in default delivers the securities subject to the Buy-In Notice prior to execution of the buy-in, the Participating Organization in default shall notify the Exchange and the buy-in will be cancelled upon confirmation by the Exchange of the delivery of the ~~listed~~ securities.
3. The Participating Organization which has issued a Buy-In Notice may extend the buy-in by delivering a notice of extension in writing to the Exchange before 3:00 p.m. on the day the buy-in is to be executed.
4. Failure to settle a trade that is the result of a buy-in that is the result of a default in accordance with the terms of the buy-in, if not resolved by the Participating Organizations concerned, shall be resolved by cancellation of the buy-in contract and issuance of a further buy-in and, in such case, the Participating Organization selling to the original buy-in shall be liable for any loss or damage resulting from failure to deliver.
5. Following execution of a buy-in, the Participating Organization that issued the Buy-In Notice shall notify the Participating Organization in default in writing of the amount of the difference between the amount to be paid on the Exchange Contract closed out, and the amount paid on the buy-in, if any, and such difference shall be paid to the Participating Organization entitled to receive the same within 24 hours of receipt of such notice.
6. Where more than one buy-