

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” relating to proposed amendments to the Toronto Stock Exchange Rule Book (the “**TSX Rules**”) to reflect the introduction of allocation priority for price setting orders (the “**Amendments**”)

6, 2022 to:

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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 staff at the Ontario Securities Commission (“**OSC**”), and in the absence of any regulatory concerns, a notice will be published to confirm approval by the OSC.

Background

TSX operates a real-time, continuous auction market that matches individual orders with continual price discovery from 9:30 AM to 4:00 PM (Toronto time) in the central limit order book (“**CLOB**”). This period is referred to as the “regular session”. All order types are accepted during this session. During the regular session, orders are individually displayed in the CLOB. Displayed portions of CLOB orders are given trading priority in the following order:

1. Price (best price gets priority ie. highest bid and lowest offer);
2. Broker (broker preferencing ie. buy and sell orders from the same broker get preference);
3. Long Life order type (“Long Life” or “LL”); and
4. Time priority (orders entered first get priority over orders entered after them) (please see example below).

Set out below is an example of the sequence of execution of orders pursuant to the current allocation priority rules as set out above:

Trading Priority Example 1:

An incoming market order ("**MKT**") to Sell 1000 shares from Broker 7 is entered against the buy order book below.

Order #	Side	Shares	Price	Broker No.	

This second participant enters a Long Life order and hence is provided priority over the original order that set a new price level despite the second order (i.e. the Long Life order incurring far less risk).

The prevalence of such tailgating disincentivizes liquidity provision on TSX at new price levels negatively impacting price discovery in the Canadian market.

Overview of the Amendments

Pursuant to the Amendments, Rule 4-801(1) - "Establishing Priority" will be amended to give a price setting order (i.e. an order that sets the best price on TSX), the same allocation priority as a Long Life order entered after such price setting order, subject to other applicable priority allocation rules.

Pursuant to the Amendments, the allocation priority for orders identified would be as follows:

1. Price
2. Broker
3. Long Life/Price Setting
4. Time priority

Pursuant to the Amendments, the sequence of execution as per the previous example outlined above would be as follows:

Trading Priority Example 1:

An incoming order to Sell 1000 shares @ MKT from Broker 7 is entered against the buy order book below:

Order #	Side	Shares	Price	Broker	LL	Price Setter
1	B	100	10.00	2	N	Y
2	B	200	10.00	7	N	N
3	B	300	10.00	5	Y	N
4	B	400	10.00	7	Y	N

Based on the proposed allocation priority, the sequence of execution would be as follows:

Order Priority:

- 1.

