ALPHA EXCHANGE INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

Alpha Exchange Inc. ("**Alpha**" or "**we**") 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" regarding amendments to the Alpha Trading Policy Manual (the "**Alpha Rules**") to (i) introduce two new order books on Alpha; (ii) make changes to Alpha's order processing delay; and (iii) make other ancillary amendments, all as described below (collectively, the "**Amendments**").

Market participants are invited to provide comments. Comments should be in writing and delivered by

to the Alpha book may bypass the order processing delay via passive-only orders greater than a security-specific minimum size.

Overall, a best execution analysis is based on a variety of factors. In our view, "markouts" are a standard way of measuring execution quality of *resting orders* on a marketplace. At a high level, "markouts" are a measure of what the market does (on average) *after* a participant gets a fill. For example, a participant buys at $10.00 at time T, and the price goes down to $9.99 10ms later (T+10ms). This means that the participant has paid more than they should have had they waited 10ms. This is referred to as a "negative markout". In contrast, if the price 10ms later increases to $10.01, this would be considered a "positive markout", indicating that the participant has bought

Currently, execution priority on Alpha is established as follows:

1. **Price** (best price gets priority, i.e., highest bid and lowest offer)
2. **Broker**

order is able to execute with more immediacy when there is an opportunity to do so. When a Smart Peg order executes at a more aggressive price than its booked price, the execution price is referred to as its "**Discretionary Price**". Because the Discretionary Price is not a firm price (i.e., it depends on the limit price of the order it is executing against), a Smart Peg order with a Discretionary

Order #	PO	Order Type	Limit	Booked	Comments
6	B	Primary Peg (offset = 1)	$10.03	$10.02	Booked at 1 tick from the NBB
7	C	Dark Limit		$10.02	$10.02	Booked at its entered limit price

The scenarios below enumerate allocation priorities when an active sell order is received from a particular Member, with order volume large enough to interact with all resting buy orders.

The resulting allocation priority of each of the buy orders is shown below.

Sell PO = B
Sell limit price = $10.02

Trade Price	Rank of Priority	Order #	PO	Order Type	Comments
$10.03	1	4	D	Mid-point Peg	Price Priority over all other orders
$10.02	2	6	B	Primary Peg	Broker Pref Priority at this price, over all other regular orders and Smart Peg orders trading at discretionary prices
$10.02	*3*	*2*	*B*	*Smart Peg*	*Broker Pref Priority at this price, behind Order 6 as it is a Smart Peg order trading at a discretionary price*
$10.02	*4*	*3*	*C*	*Smart Peg*	*Time Priority over other orders as it is an trading at its booked price*
$10.02	5	5	E	Dark Limit	Time Priority over Order 7, and priority over Smart Peg orders trading at discretionary prices
$10.02	6	7	C	Dark Limit	Priority over Smart Peg orders trading at discretionary prices
$10.02	*7*	*1*	*A*	*Smart Peg*	*C4*

Sell PO = C
Sell limit price = $10.03

Trade Price	Rank of Priority	Order #	PO	Order Type	Comments
$10.03	*1*	*3*	*C*	*Smart Peg*	*Broker Pref Priority over all other tradeable orders*
$10.03	2	4	D	Mid-point Peg	

Sell PO = A
TMX QDS is "on". Smart Limit orders repriced to $9.99, one tick less aggressive than the NBB.

Trade Price	Rank of Priority	Order #	PO	Order Type	Comments
$9.99	1	1	A	Iceberg Limit	Displayed portion of iceberg limit order; broker pref and time priority at this price
$9.99	2	5	A	Limit	Broker pref priority at this price

Blackline of Amendments

A blackline of the Amendments against the existing rules is attached as **Appendix A** hereto for ease of reference.

Analysis of Impacts

(i) Impact on Market

We anticipate that the Amendments will have a positive impact on the market structure, Members, investors, issuers or the capital markets. We believe that the Amendments are fair and reasonable, and will not create barriers to access.

With respect to the New Order Books generally (their creation, and their existence as an additional venue on which trades can be executed), we do not anticipate that the New Order Books will negatively impact the market as a whole. The presence of the Static Order Processing Delay ensures that the New Order Books will not be considered protected markets and as such, Members will not be required to incorporate market data from the New Order Books into their regulatory obligations (i.e., the Order Protection Rule); this minimizes any potential burden that the New Order Books might place on the trading community. Members that wish to utilize the New Order Books will, however, need to consume market data from the New Order Books.

With respect to the Smart Peg and Smart Limit Amendments, the amendments are expected to have a positive impact on the markets. As noted above, we expect the Smart Peg and Smart Limit Amendments to offer protection from latency arbitrage, and may result in some Members receiving better pricing on their orders. Our study of Alpha orders and applying the TMX QDS, showed that the Smart Limit order type could result in better markouts, representing better pricing. It is expected that by using Smart Limit or Smart Peg orders, Members will gain confidence in their execution quality and be able to post larger sized orders. This may improve the depth of liquidity in the markets, have a positive impact on price discovery, and benefit the market as a whole.

Since Smart Peg orders are a dark order type, such orders would not have an impact on visible orders. We anticipate that Smart Peg orders will result in greater liquidity in the dark market, and have a positive impact on the markets in general.

(ii) Impact on Members and Service Vendors

The Amendments are expected to have a positive impact on Members.

With respect to the New Order Books as a whole, their addition to the Canadian equity trading ecosystem provides unique value for Members who wish to post liquidity in an environment with protections against latency arbitrage. Members who choose to obtain access to the New Order

PART I.Definitions and Interpretations
1.1   Definitions
[..]

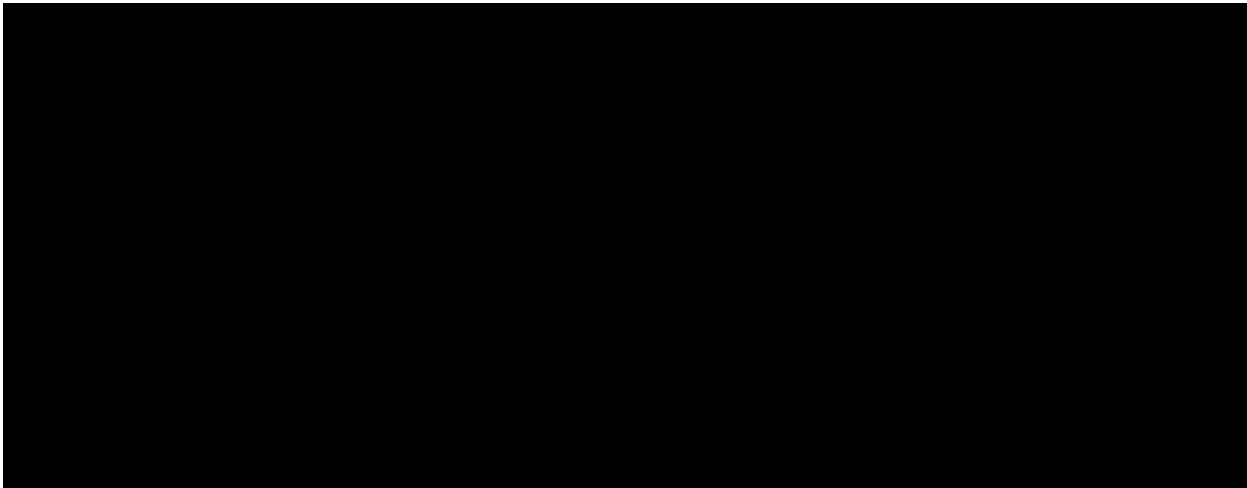|	
Alpha	TSX Alpha Exchange marketplace**, including Alpha-X and Alpha DRK unless otherwise specified herein.**

[...]

1.2   INTERPRETATION

[...]

(13)   All references to Alpha in Alpha Requirements also apply to Alpha-X and Alpha DRK, unless otherwise stated herein.
[...]

(1)   An order entered in the CLOB at a particular price will be executed in priority to all orders at inferior prices.

(2)   Broker preference whereby incoming orders will match with other orders from the same dealer (excluding orders marked as anonymous) ahead of similarly priced orders from other dealers, before time priority is considered.

(2)(**3**)   An order at a particular price will be executed prior to any orders at the same price entered subsequently in time, and after all orders at the same price entered previously ('time priority').

(3)(**4**)   An undisclosed portion of an order does not have time priority until it is disclosed.

(4)(**5**)   An order loses its time priority if its disclosed volume is increased

PART V.1.   Trading on Alpha-X

In addition to the trading policy features and characteristics detailed herein, which apply to the Alpha system as a whole, the following section applies only to Alpha-X.

DIVISION 1   ORDER ENTRY

5.1.1   ORDER TYPES

In addition to the order types enumerated above for Alpha, the following order types are also available on Alpha-X:

- **Smart Limit**

The order types on Alpha-X do not interact with order types on Alpha or Alpha DRK.

DIVISION 2   CONTINUOUS TRADING SESSION

5.1.2   ALLOCATION OF TRADES   ESTABLISHING PRICE AND TIME PRIORITY

- **Broker preference (including Smart Peg orders and orders marked as anonymous) in time priority at a particular price level, subject to any minimum quantity and minimum interaction size or other conditions.**

- **At a particular price level, an order trading at its booked price will be executed in priority over all Smart Peg orders trading at discretionary prices.**

- **An order at a particular price will be executed prior to any orders at the same price entered subsequently in time, and after all orders**