

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX INC.

TSX Inc. (the “**Exchange**”) 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 certain changes to amend the repricing methodology of certain dark order types on TSX DRK, as described below (the “**Amendments**”).

Market participants are invited to provide comments. Comments should be in writing and delivered by January 20, 2025 to:

Linda Zhang
Legal Counsel, Regulatory Affairs
TMX Group
100 Adelaide Street West, Suite 300
Toronto, Ontario M5H 1S3
Email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Trading & Markets Division
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Email: TradingandMarkets@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, Outline and Rationale for the Amendments

Trading activities in Canada are governed by the Universal Market Integrity Rules (“**UMIR**”), which is administered and enforced by The Canadian Investment Regulatory Organization. Section 6.6 of UMIR - states that an order entered on a marketplace may execute with a dark order provided that the order entered by the participant is executed at a “better price”, unless the order meets certain volume and/or value thresholds or is otherwise excluded from the application of the rule. UMIR defines a “better price” as:

- (a) in the case of a purchase, a price that is at least one trading increment lower than the best ask price at the time of the entry of the order to a marketplace provided that, if the best bid price is one trading increment lower than the best ask price, the price shall be at least one-half of one trading increment lower; and

(b) in the case of a sale, a price that is at least one trading increment higher than the best bid price at the time of the entry of the order to a marketplace provided that, if the best ask price is one trading increment higher than the best bid price, the price shall be at least one-

for 1 tick price improvements (as permitted under UMIR) where the spread is 2 ticks or more. As a result, the Amendments will aim to benefit the passive side for price improvement for certain large or small orders.

Most of the liquid symbols in Canada typically have tight spreads. Our analysis has found that approximately 85% of all dark orders on TSX DRK are small orders when the spread is 1 tick. The Amendments seek to refine our dark market trading practices to better align with market needs and regulatory frameworks. By implementing half tick price improvements as proposed under the Amendments, we anticipate that the likelihood of small order interactions will increase, thereby improving execution rates and overall market liquidity.

The charts below set out an overview of the affected order types and their existing behavior on TSX DRK, and their proposed behavior under the Amendments when the spread is 1 tick.

TSX DRK	If NBBO (National Best Bid Offer) spread is 1 tick	
	Existing Behavior (Aggressive)	Proposed Behavior

TSX DRK

Protected NBBO	NBB	NBBO
	10	10.02

Step 1

In formulating the Amendments, the internal governance process for the Exchange was followed, which included receipt of the appropriate management-level approval, and all applicable internal groups at the Exchange were consulted.

Alternatives Considered

No alternatives were considered.

Do the Amendments currently exist in other markets or jurisdictions

The Amendments currently exist in other dark markets in Canada and are aligned with price improvement requirements under UMIR.

Timing

The Exchange intends to implement the Amendments in Q1 2025, subject to regulatory approval and client readiness.