NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX VENTURE EXCHANGE INC.

TSX Venture Exchange Inc. (the "**Exchange**" or "**TSXV**") is publishing this Notice of Proposed Amendments and Request for Comments regarding certain changes to amend the repricing methodology of certain dark order types on TSXV (on the dark book) ("**TSXV DRK**"), as described below (the "**Amendments**"). The Amendments will be implemented following receipt of approval by the British Columbia Securities Commission and Alberta Securities Commission (collectively, the "**Commissions**") following public notice and comment.

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

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Comments will be made publicly available unless confidentiality is requested. Upon completion of the review by staff at the Commissions, and in the absence of any regulatory concerns, a notice will be published to confirm approval by the Commissions.

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 - *Provision of Price Improvement by a Dark Order* 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-half of one trading increment higher.

Section 6.1 of UMIR sets out these trading increments (colloquially referred to as "ticks"). Tick sizes are dependent on the price of the applicable security, and are as follows:

Price of a Given Security	Trading Increment / Tick
Under $0.50	Half a cent ($0.005)
At or over $0.50	One cent ($0.01)

Under UMIR, when the spread (i.e. the difference between the buy (bid) and sell (offer) price) is: (i) more than 1 tick, the definition of a "better price" requires at least 1 tick (or trading increment) price improvement, and (ii) 1 tick, the definition of "better price" requires price improvement of half a tick.

For example:

if the "buy" price is $1 and the "sell" price is $1.10, the price is improved to $1.09. This is because the security is over $0.50 and the spread is more than 1 tick, and therefore the improved price is 1 tick lower (i.e. $0.01 lower); and

if the "buy" price is $0.25 and the "sell" price is $0.255, the price is improved to $0.2525. This is because the security is under $0.50 and the spread is 1 tick, and therefore the improved price is half a tick lower (i.e. half of $0.005 lower).

In contrast, this differs from the current methodology of certain dark order types on TSXV DRK, where in certain situations, orders always reprice by a full tick regardless of the size of the spread. Due to this current methodology (i.e., repricing to 1 tick regardless of the size of the spread), where the spread is 1 tick, dark orders that might trade with small orders[1] will not execute because they will not reprice. However, the Amendments propose to amend the repricing behavior of these certain order types to allow for half tick price improvements.

Similarly, the current methodology of certain dark order types on TSXV DRK provides that for certain large or small orders where the spread is 2 ticks or more, execution will occur at the far side when passive. While this is permitted under section 6.6 of UMIR, we are of the view that participants may prefer that passive orders also benefit from price improvement. The

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[1] Section 6.6 of UMIR allows for the execution of an order with a dark order at a price other than a "better price", dependent on the volume and value of that order. Based on UMIR 6.6, for purposes of this notice a "small order" is defined as any order that is not a "large order", and a "large order" is an order (i) for more than 50 standard trading units and which has a value of more than $30,000 or (ii) which has a value of more than $100,000.

Amendments also propose to amend the repricing behavior of certain dark order types to allow 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[2] 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 TSXV DRK, and their proposed behavior under the Amendments when the spread is 1 tick.

TSXV DRK

TSXV DRK	If NBBO (National Best Bid Offer) spread is 1 tick	
	Existing Behavior	Proposed Behavior
	(Aggressive)	(Aggressive)
Small Order / Large Order	IF NBBO is 1 tick	(NBBO) Rests at
Unpegged DRK (LMT or MKT)	Reprice 1 Tick	Half tick
Market Peg	Reprice 1 Tick	Half Tick
Unpegged PDL (LMT or MKT)	Reprice 1 Tick	Half Tick
MIS/ MQTY	Reprice 1 Tick	Half Tick

The chart below sets out an overview of the affected order types and their existing behavior on TSXV DRK, and their proposed behavior under the Amendments when the spread is 2 ticks or more.

TSXV DRK

TSXV DRK	If NBBO (National Best Bid Offer) spread is 2 ticks or more	
	(Aggressive)	
	Existing Behavior	Proposed Behavior
Small Order / Large Order	IF NBBO is 2 ticks or more	(NBBO) Rests at
Unpegged DRK (LMT or MKT)		

TSXV DRK	If NBBO (National Best Bid Offer) spread is 2 ticks or more	
	(Aggressive)	
	Existing Behavior	Proposed Behavior

Small Order / Large Order   **IF NBBO is 2 ticks or more**

Protected NBBO	NBB	NBBO
	10	10.02
Step 1	Incoming Buy Large Order with Limit price at 10.02	
Step 2	The order on entry will sweep the dark book until 10.02 (No match)	
Step 3	The order books in the dark book at 10.01 (i.e. proposed 1 tick repricing)	
Step 4	Incoming Sell Large order with Limit price at 10.00	
Step 5	The order on entry will match with the booked buy order at 10.01 resulting in a trade where both orders receive price improvement	

We believe the proposed structure may help increase liquidity, reduce missed trading opportunities, and ensure a steady flow of trades, especially in markets where tight spreads are common.

Given that the definition of "better price" in UMIR already allows for an order to execute with a dark order at a half-tick increment when the spread is 1 tick and at a 1 tick increment when the spread is 2 ticks or more, the Amendments do not deviate from the fundamental principles of price discovery and market fairness.

Analysis of Impact

(i) Impact on Market

The Exchange anticipates that the Amendments will have a positive impact on the market structure, members, investors, issuers or the capital markets. The Exchange believes that the Amendments are fair and reasonable, and will not create barriers to access.

The Exchange anticipates that the Amendments will enhance market liquidity, and improve trade execution.

(ii) Impact on Compliance with Applicable Securities Law

The Amendments will not impact the Exchange's compliance with applicable securities law and in particular the requirements for fair access and maintenance of fair and orderly markets. As noted above, the Exchange is of the view that the Amendments will support the maintenance of fair and orderly markets.

(iii) Impact on Clients and Service Vendors

Clients will not be required to update their routing methodology and trading strategies to take the Amendments into account. Technical developments are not required for clients to take the Amendments into account.

Consultations undertaken in formulating the Amendments

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.