

# B.11

## CIRO, Marketplaces, Clearing Agencies and Trade Repositories

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### B.11.2 Marketplaces

#### B.11.2.1 TSX Inc. – Notice of Proposed Amendments and Request for Comments

##### NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

###### TSX INC.

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” regarding proposed amendments to the TSX Rule Book to reflect certain proposed amendments to the Long Life order type, as described below (the “**Amendments**”).

Market participants are invited to provide comments. Comments should be in writing and delivered by September 9, 2024 to:

Joanne Sanci  
Senior Counsel, 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:

Trading and Markets Division  
Ontario Securities Commission  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
Email: [TradingandMarkets@osc.gov.on.ca](mailto: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

Introduced in 2015, the Long Life order type is a special optional order type designed to enhance the quality of execution for natural investors and their dealers – both retail and institutional – by rewarding with allocation priority those willing to commit liquidity to the book for a minimum period of time. More specifically, the Long Life order type requires participants to commit to keeping their orders in the order book for a minimum resting period of 1 second, signifying a pledge towards providing longer-term liquidity. In exchange for providing committed liquidity via the minimum 1 second resting time, Long Life orders receive priority over orders at the same price level that are not Long Life orders and are not from the same broker, as follows:

Allocation Priority where No Long Life Order	Allocation Priority where Long Life Order is Entered
1. Price - best price gets priority, i.e. highest bid and lowest offer	1. Price
2. Broker - buy and sell orders from the same broker get preference	2. Broker
3. Time - orders entered first get priority over orders entered after them	3. Long Life
	4. Time

This adjustment from the traditional Price/Broker/Time priority scheme (see column 1 above) specifically rewards those participants who contribute to market stability through Long Life orders, effectively promoting a more predictable and less volatile trading environment.

In addition, amendments or cancellations of Long Life orders that have met the minimum 1 second resting time requirement are currently subject to an additional randomized delay between 5 to 10 milliseconds before the amendments or cancellations are effected. The aim of this restriction was to further discourage the use of Long Life orders by those employing latency-sensitive trading strategies (i.e. those participants that have the fastest access to the markets and are able to receive market data first and take favourable action).

Despite the benefits of the Long Life order, TSX recognizes the importance of flexibility in order type management, especially in response to the fast-paced and ever-changing market dynamics. Based on participant feedback of clients who represent more than 45% of all Long Life order users on TSX and TSX Venture Exchange, TSX is proposing to remove the additional delay imposed when a Long Life order is canceled (the “**Cancellation Delay**”). Feedback from participants indicated that, after the obligatory resting period of 1 second has passed, participants should not face any additional delays or penalties for canceling their orders. In addition, participants should maintain the flexibility to cancel their orders promptly, without facing further limitations that could restrict their ability to respond to market changes or new information. The proposal to remove Cancellation Delay, applicable only after the required 1 second resting period, seeks to balance the promotion of market stability with the provision of the operational flexibility essential for effective trading strategies. Please note, however, that the delay on amendments to Long Life orders will remain unchanged at this time (i.e. the delay will remain for amendments to Long Life orders) and are not part of the Amendments due to the potential misuse of Long Life orders by participants if this delay was also removed.

### **Text of the Proposed Amendments**

The Amendments are set out as blacklined text at Appendix A. For ease of reference, a clean copy of the Proposed Amendments is set out at Appendix B.

### **Analysis of Impact**

#### *(i) Impact on Market*

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

#### *(ii) Impact on Clients and Service Vendors*

Clients will 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.

#### *(iii) Impact on Compliance with Applicable Securities Laws*

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

### **Consultations Undertaken in Formulating the Amendments**

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

TSX received feedback from clients representing 45% of Long Life users who indicated they were generally supportive of the Amendments. Please also see the section entitled “Background, Outline of the Amendments and Rationale” for more details.

### **Any alternatives considered**

No alternatives were considered.

### **Timing**

TSX intends to implement the Amendments in the Q4 of 2024, subject to regulatory approval and participant readiness.

APPENDIX A

BLACKLINED VERSION OF  
TSX RULES REFLECTING THE AMENDMENTS

PART 1 - INTERPRETATION

Rule 1-101 Definitions (Amended)

[...]

“**Long Life order**” means a board lot or board lot portion of a mixed lot market or limit order that is: (a) entered for a security that has been identified by the Exchange as being Long Life Eligible; (b) identified by the participant as a Long Life order upon entry in the manner specified by the Exchange; and (c) is subject to Long Life Restrictions.

**Added (November 16, 2015)**

“**Long Life Restrictions**” means Exchange prescribed restrictions, applicable to a Session as specified by the Exchange, which prevent the amendment or cancellation of an order during the minimum fixed resting time ~~for a period of time~~ as specified by the Exchange. All amendments of Long Life orders for which the minimum fixed resting time has elapsed are subject to an additional variable delay that is randomized.

~~Added (November 16, 2015)~~ Amended (X, 2024)

APPENDIX B

CLEAN VERSION OF  
TSX RULES REFLECTING THE AMENDMENTS

PART 1 - INTERPRETATION

Rule 1-101 Definitions (Amended)

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**Amended (X, 2024)**