B.11
CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.2 Marketplaces

B.11.2.1 TSX Inc. – Notice of Approval

TSX INC.

NOTICE OF APPROVAL

(OCTOBER 31, 2024)

Introduction

In accordance with the “Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto” for recognized exchanges, TSX Inc. (the “**Exchange**”) has adopted, and the Ontario Securities Commission has approved, certain amendments to the TSX Rule Book to make certain amendments to the Long Life order type, as set out in the Request for Comment (as defined below) (the “**Amendments**”).

On August 8, 2024, the Exchange published a Notice of Proposed Amendments and Request for Comments (the “**Request for Comment**”).

Capitalized terms used and not otherwise defined in the Notice of Approval shall have the meaning ascribed to them in the Request for Comment.

Summary of the Amendments

A copy of the Amendments can be found here.

Comments Received

The Amendments were published for comment on August 8, 2024 for a 30-day period, and three comment letters were received. A summary of the comments submitted, together with the Exchange’s responses, is attached at **Appendix A**. The Exchange thanks all commenters for their feedback and suggestions.

Effective Date

The Amendments will be implemented in Q4, 2024.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

Canadian Security Traders' Association, Inc.

Scotiabank

TD Securities Inc.

	Summarized Comments Received	***The Exchange's Response***
1.	Two commenters were of the view that Long Life type orders are a critical equalizer and market structure tool for market participants who commit stable and accessible passive liquidity versus short-horizon latency-sensitive strategies.	The Exchange thanks the commenters for their feedback.
2.	One commenter was of the view that the usage of long life orders by their intended beneficiaries (typically institutional and retail investors) has led to improved quote stability on primary markets, larger and more predictable fills and resultingly a better execution experience.	The Exchange thanks the commenter for their feedback.
3.	Two commenters were generally unsupportive of the Amendments, being of the view that the Amendments may pose adverse risks to the intended users of the Long Life order type, hurt natural liquidity and promote the use of long life orders by low-latency participants for whom the Long Life priority advantage was never intended. Both commenters were also of the view that the Cancellation Delay is a gatekeeper of unintended user activity. One commenter was of the view that the cancellation delay is an integral aspect of the long life order type and is the most important element in achieving the goal of benefit natural investors, their dealers and other non-latency participants. The commenter questioned what additional flexibility the proposed amendments would provide to natural investors and their dealers. One commenter was of the view that existing users of long life orders will experience diminished value to the order type and worse-off execution quality as more market participants who do not represent the original profile of natural and committed providers of liquidity migrate to using the long life order type.	The Exchange continues to believe that the proposal to remove the Cancellation Delay, applicable only after the required one second resting period, seeks to balance the promotion of market stability with the provision of the operational flexibility essential for effective trading strategies. The core value proposition of the Long Life order type remains unchanged: participants committing to a minimum of one second of exposure will continue to receive enhanced queue priority. This queue priority gives natural liquidity providers (retail and institutional investors) the advantage needed to trade without having to compete solely on speed. Generally, natural liquidity providers cannot react as quickly to adverse market conditions when compared to low latency participants. The Cancellation Delay further impeded the natural liquidity provider's ability to react quickly. Removing the Cancellation Delay does not diminish the fundamental benefit of Long Life orders. Instead, the Exchange is of the view that the Amendments enhance flexibility by, allowing the natural liquidity providers, who are not low latency participants, an opportunity to better manage their exposure in fast-moving potential adverse market conditions. The Exchange disagrees with the view that low-latency participants will begin to dominate the Long Life order type. As one commenter noted, the one second delay "itself is a substantial burden in modern fast-moving markets", and the Exchange believes that the continued existence of such one second delay will continue to act as a disincentive for latency-sensitive traders to use the Long Life order type. The Exchange is of the view that the one second delay is the "gatekeeper of unintended user activity." The Exchange believes that, if the Amendments are approved and implemented, natural liquidity providers will continue to be the beneficiaries of the Long Life order type.

	Summarized Comments Received	*The Exchange's Response*
4.	One commenter was of the view that the Amendments would allow Long Life orders to join the order book at any time and immediately take priority over pre-existing non-Long-Life orders, with the ability to cancel at any time after the first second, thereby providing participants with the "best of both worlds". The commenter was of the view that in an environment of stable quotes, these orders will be filled sooner, but can also rapidly cancel to avoid adverse selection. One commenter was of the view that a key consideration for the Amendments is whether a one second commitment is sufficient to earn the rights and privileges of enhanced queue priority through the entire duration of the order. Two commenters were of the view that a singular one second rest period criteria was not an appropriate differentiator of order flow deserving of a queue priority benefit, and that the removal of the Cancellation Delay will provide orders with a benefit for an unlimited duration (queue priority) in exchange for risk only in the first second, with the benefit conferred thus being disproportionate to the risk taken. One commenter was also of the view that the one second rest criteria is arguably easier to overcome for so-called fast traders than the Cancellation Delay. One commenter was of the view that TSX should explore a shorter static delay on the cancellation period, as a compromise between users looking for certainty on cancel delay and maintaining a material enough cancel risk that the long life order type does not become utilized by 100% of the market.	The Exchange disagrees with the commenters' views. The Exchange believes that the privilege of queue priority is earned by a participant when they subject their order to the one second delay. The one second delay is a meaningful and appropriate differentiator, and is a significant amount of time where orders are exposed to market risks. In today's fast moving markets, where trades occur in microseconds, a participant voluntarily subjecting their order to a one second delay should be viewed as a considerable concession entitling such order to queue priority.
5.	Two commenters questioned whether the "45% of all Long Life" order users whose feedback was sought was sufficiently diverse as to represent a broad cross-section of users.	From time to time, when considering certain proposals, the Exchange may conduct preliminary external consultation from certain participants, including, but not limited to, users of a specific order type or participants who may be impacted the most, are well experienced using an order type, functionality, etc. Any feedback received from this subset of participants is not meant to bypass the formal consultation process, nor is it intended to serve as a proxy for participants as a whole. Instead, any preliminary consultations undertaken are intended to help inform our decision on how to proceed with a proposal, including potentially modifying the proposal based on the initial feedback received, soliciting additional preliminary feedback, and determining whether or not to formally propose amendments by filing an application with the applicable securities regulators, in which a formal Request for Comment is published for public consultation. Based on the comments received through the formal public consultation process, the Exchange may make changes to proposed amendments. Any changes made to a proposal as a result of this process may warrant the publication of a second Request for Comment (i.e. where the changes made are material) to seek feedback on those changes.

	Summarized Comments Received	*The Exchange's Response*
		With respect to the Proposed Amendments, the Exchange consulted with the top 10 users of the Long Life order type for 2023, representing over 45% of Long Life order type users.
6.	One commenter raised the possibility of lengthening the minimum time commitment (i.e. to greater than one second) as a better tradeoff to make disposing the Cancellation Delay more suitable.	The Exchange does not believe that lengthening the minimum time commitment is necessary or a better trade-off. The Exchange does not believe that a longer resting period would enhance the value of the long life order type. Instead, the Exchange believes that a longer resting period could make the Long Life order type less attractive to natural liquidity providers as the exposure to risk increases, which would have the unintended effect of dampening the liquidity and price discovery benefits that Long Life order types provide.
7.	One commenter noted that retail limit orders that are commonly marked as long life have the most to lose given that they are typically displayed in full-size and have no need for order management flexibility. The commenter was of the view that these orders are rarely canceled and easily fulfill both criteria naturally and questioned why orders that require millisecond option flexibility should be in the same class as this client order flow.	While retail orders may not be frequently canceled, the Exchange is of the view that providing retail investors the option and ability to manage their orders if market conditions change should not be considered a negative attribute of the Amendments. Retail investors should be afforded the flexibility to adapt to unexpected market movements.