

B.11

CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.2 Marketplaces

B.11.2.1 TSX Inc. and Alpha Exchange Inc. – Proposed Amendments – Notice and Request for Comments

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX INC. AND ALPHA EXCHANGE INC.

Each of TSX Inc. (“**TSX**”) and Alpha Exchange Inc. (“**Alpha**”, and together with TSX, the “**Exchanges**”) 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 functionality of the Minimum Interaction Size (“**MIS**”) and Minimum Quantity (“**MinQty**”) features on TSX (TSX DRK only) and on Alpha (Alpha DRK only), as described below.

Market participants are invited to provide comments. Comments should be in writing and delivered by May 5, 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 of the Amendments and Rationale

Each of TSX and Alpha operate a dark order book where there is no pre-trade transparency (i.e., participants do not see the opposite side of the order prior to a trade). The dark orders (referred to as DRK on our equities exchanges) may be submitted with an optional MIS or MinQty instruction, enabling participants to customize their trading strategies by giving them control over the size of the orders they deal with.

MIS, for instance, is a tool particularly useful for those dealing in large volumes. It allows participants to set a threshold for the minimum size of any single opposing order (i.e. contra-side order) they are willing to interact with. In particular, when an incoming order attempts to match against a resting order with MIS, it will compare the incoming order’s original volume against the MIS value to determine eligibility of the incoming order to match (the “**Current MIS Eligibility**”), thus mitigating the potential market impact of executing large orders. For example, an order that is entered MIS assists in maintaining price stability, as it prevents large orders from being broken up and being filled through numerous smaller transactions, which could lead to undesirable price fluctuations in the market.

MinQty provides participants with the ability to specify the minimum volume parameters that must be met for the MinQty order to be executed, regardless of the size of any single contra-side order. Thus, while MIS is focused on a minimum size from a *single* opposing order, MinQty can be used to aggregate multiple opposing orders to reach the minimum volume. MinQty is especially beneficial for strategies that necessitate the acquisition or disposal of large positions at a consistent price. It ensures that orders

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are only executed when a significant portion can be filled at once, thus aiding participants in managing execution quality and avoiding the pitfalls of partial fills that might not align with their intended trading outcomes.

Currently, when the remaining balance of a MIS or MinQty order's size falls below the participant's specified MIS or MinQty thresholds, instead of canceling the MIS or MinQty order, our trading system: (i) in the case of a MIS order, allows the remaining volume to trade in any board lot amount(s) (the **"Current MIS Functionality"**), and (ii) in the case of a MinQty order, assigns the order a new minimum threshold equal to the remaining order size, in effect becoming an "All or None" order (which means partial fills are not accepted) for the remaining volume (the **"Current MinQty Functionality"**, and together with the Current MIS Functionality, the **"Current Functionality"**). This adherence to the standard protocol is aimed at ensuring order completion and facilitating seamless trade executions.

The chart below illustrates the Current Functionality for MIS and MinQty orders.

MIS

A sell order of 100,000 shares, with a MIS of 1,000 at \$10.00 is entered.

Scenario*	Buy Order #1	Buy Order #2	Result	Balance
# 1	1,000 shares at \$10.00	-	Trades because since order meets the MIS	99,000 shares; continues to trade against single orders of at least 1,000. Where balance falls below the MIS (1,000), the balance can trade against any board lot sized order(s).**
#2	500 shares at \$10.00	-	Does not trade because order does not meet MIS	100,000 shares; continues to trade against single orders of at least 1,000. Where balance falls below the MIS (1,000), the balance can trade against any board lot sized order(s).**
# 3	500 shares at \$10.00	500 shares at \$10.00	Does not trade because no single order meets the MIS	100,000 shares; continues to trade against single orders of at least 1,000. Where balance falls below the MIS (1,000), the balance can trade against any board lot sized order(s).**
# 4	1,200 shares at \$10.00	-	Trades because order meets the MIS	98,800 shares; continues to trade against single orders of at least 1,000. Where balance falls below the MIS (1,000), the balance can trade against any board lot sized order(s)**

*Each scenario is independent from each other and is not a continuation of the original sell order.

**For example, where the remaining balance of shares after orders executed is 600 (from 100,000), this balance would trade in any board lot amounts, even though it is not 1,000 shares (being the MIS).

MinQty

A sell order of 100,000 shares, with a MinQty of 1,000 at \$10.00 is entered.

Scenario	Buy Order #1	Buy Order #2	Result	Balance
# 1	1,000 shares at \$10.00	-	Trades because aggregate trade size meets the MinQty	99,000 shares; continues to trade in amounts of at least 1,000 (in aggregate). Where balance falls below the MinQty (1,000), the balance is deemed the MinQty and trades where the new MinQty is met.**
# 2	500 shares at \$10.00	-	Does not trade because aggregate trade size does not meet MinQty	100,000 shares; continues to trade in amounts of at least 1,000. Where balance falls below the MinQty (1,000), the balance is deemed the MinQty and trades where new MinQty is met.**
# 3	500 shares at \$10.00	600 shares at \$10.00	Trades because aggregate trade size meets or exceeds the MinQty	98,900 shares; continues to trade in amounts of at least 1,000 (in aggregate). Where balance falls below the MinQty (1,000), the balance is deemed the MinQty and trades where new MinQty is met.**

**Each scenario is independent from each other and is not a continuation of the original sell order.*

***For example, where the remaining balance of shares after orders executed is 600 (from 100,000), this balance would trade even though it is not 1,000 shares (being the MinQty), but can only trade if the entire remaining volume is satisfied (i.e. treated as an All or None order).*

Given the evolving nature of trading strategies and the diverse needs of market participants, there have been requests from some participants to modify the Current Functionality and Current MIS Eligibility as follows:

(i) when a MinQty order’s remaining (or balance) size (or volume) falls below the MinQty thresholds, instead of being assigned a new minimum threshold equal to the remaining order size (becoming an “All or None” order for the remaining volume), the default behaviour for MinQty orders will be that of the Current MIS Functionality (i.e. the remaining volume of the MinQty order is permitted to trade in any board lot amount(s)) (the “**Proposed MinQty Amendment**”);

(ii) a participant may, when entering an order, opt out of using the the default Current Functionality and instead choose to set an instruction so that when a MIS or MinQty order’s remaining (or balance) size (or volume) falls below the MIS or MinQty thresholds, it is canceled instead of allowing the remainder to be executed (the “**Proposed MIS/MinQty Functionality**”); and

(iii) as mentioned above, the Current MIS eligibility is determined by the entered size of an incoming contra-side order and the total remaining volume of a resting contra-side order. Each of the Exchanges is proposing to modify the Current MIS Eligibility to consider the remaining tradeable volume of an incoming contra-side order (instead of the entered size of an incoming contra-side order) (the “**MIS Eligibility Amendments**”, and together with the Proposed MinQty Amendment, and the Proposed MIS/MinQty Functionality, the “**Amendments**”).

Each of the Exchanges believes that the Proposed MIS/MinQty Functionality will enhance the overall effectiveness and predictability of trade executions, as participants would be able to decide whether they want to allow on an order by order basis, for the Current Functionality, or the Proposed MIS/MinQty Functionality, and cancel orders that fall below the MIS or MinQty thresholds. By offering this flexibility, participants can retain autonomy, and gain greater precision, over how their orders are handled, by ensuring that all trade executions align closely with their initial conditions, while also having the ability to elect to use the Current Functionality.

Each of the Exchanges believes that aligning the behaviour of the MinQty and MIS order types in scenarios where the order size falls below the threshold of MIS/MinQty would ensure consistency between the two order types without significantly altering the execution process of the order types. In such scenarios, Proposed MinQty Amendments will allow MinQty orders to replicate the

behaviour of the MIS order type, which may lead to improved market liquidity as this order type could now interact with different order sizes.

Similarly, each of the Exchanges believes that the MIS Eligibility Amendments will also enhance the overall effectiveness and predictability of trade executions as participants will receive at least their full order quantity as entered, which translates to better trading precision and a more predictable market experience.

Amendments to the Toronto Stock Exchange Rule Book or Alpha Trading Policy Manual are not required in order to take into account the Amendments.

Analysis of Impact

(i) Expected impact on the market structure, members and, if applicable, on investors, issuers and capital markets

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

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, however clients will be required to use an additional tag when entering an order if opting out of the Current Functionality in accordance with the Proposed MIS/MinQty Functionality.

(ii) Expected impact of the Amendments on each to the Exchange's compliance with Ontario securities law and in particular on requirements for fair access and maintenance of fair and orderly markets

The Amendments will not impact each of 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, each of the Exchanges is of the view that the Amendments will support the maintenance of fair and orderly markets.

(iii) Public Interest

For the reasons mentioned above, each of the Exchanges is of the view that the Amendments are not contrary to the public interest.

Consultations undertaken in formulating the Amendments, including the internal governance process

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

We received feedback from certain clients indicating they were generally supportive of the Amendments. Other clients prefer the Current Functionality of MIS and MinQty, and will continue to have the option to use these features as they currently are. Please also see the section entitled "Background, Outline of the Amendments and Rationale" for more details.

Any alternatives considered

No alternatives were considered.

Do the Amendments Currently Exist in Other Markets or Jurisdictions

While other marketplaces in Canada have similar order features as MIS and MinQty, these order features function as per the Current Functionality and the MIS Eligibility. We are unaware of any other marketplace in Canada that allows a participant the option of the Proposed MIS/MinQty Functionality when the remaining balance of a MIS or MinQty order's size falls below the participant's specified MIS or MinQty thresholds, or that has MIS eligibility criteria similar to the Proposed Eligibility Amendments.

Timing

We intend to implement the Amendments in the Q2 of 2025, subject to regulatory approval and client readiness.