

Request for Comments
Amendments to Permit Trading of Securities Listed
on other Canadian Exchanges

The Board of Directors of TSX Venture Exchange Inc. (TSXV) has approved amendments (Amendments) to the TSXV Trading Rule Book (TSXV Rules). The Amendments, shown as blacklined text, are attached at Schedule A.

The Amendments will be effective upon approval by the British Columbia and Alberta Securities Commissions (Commissions) following public notice and comment. Comments on the proposed amendments should be in writing and delivered no later than Monday, June 20, 2011 to:

Deanna Dobrowsky
Director, Regulatory Affairs
TMX Group Inc.
The Exchange Tower
130 King Street West, 3rd Floor
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Michael Brady
Legal Counsel, Capital Markets Regulation Division
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, British Columbia V7Y 1L2
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Terms not defined in this Request for Comments are defined in the TSXV Rules.

I Proposed Change

The Amendments confirm TSXV's ability to facilitate trading in securities that are not listed by TSX Venture Exchange, so long as the securities have been listed by another exchange that is recognized by a securities regulatory authority in a Canadian jurisdiction.

II Rationale for Amendments

As the multi-marketplace environment in Canada continues to increase its breadth and depth, TSXV is in a unique position to meet the needs of its Participating Organizations and Members (POs) and investors. Clarifying the TSXV Rules to permit trading in securities that are not listed by TSX Venture Exchange allows TSXV to leverage its trade execution strength in the event that it determines to trade securities that are listed on another Canadian exchange.

For example, in the event that Alpha Exchange Inc. receives regulatory approval to operate an exchange, TSXV may determine that it would be appropriate and beneficial to POs, investors and other stakeholders to trade those securities on TSXV. If such decision is taken by TSXV,

appropriate notice will be given to market participants so that there is no confusion in the market regarding the securities being traded on TSXV. The Amendments clarify the application of the TSXV Rules in such an instance.

Given the framework for competitive trading in Canada, it is sensible from a policy perspective to enable TSXV to trade the securities of issuers listed on other exchanges when ATSS are permitted to trade these securities.

III Description of the Amendments

There are three main categories of revisions made in the Amendments. First, definitions are revised and created in order to distinguish between (i) securities that are traded on TSXV but not listed by TSX Venture Exchange, and (ii) securities that are listed by TSX Venture Exchange and traded on TSXV. Housekeeping amendments are also made to delete definitions that are no longer used in the rules.

Second, references throughout the TSXV Rules are revised to clarify which rules apply to TSX Venture Exchange-listed securities only, and which rules apply to all securities posted for trading – (whether or not they are listed by TSX Venture Exchange). Some wording changes are made to the TSXV Rules to conform to language in the Rules of the Toronto Stock Exchange.

Finally, a new section is added which states explicitly that TSXV can trade securities that are listed by another exchange recognized in a Canadian jurisdiction.

Definitions

The definition of “listed security” in the TSXV Rules is refined to confirm that a listed security is one that has been listed by TSX Venture Exchange and posted for trading on TSXV. A new definition of “security” is added to confirm that, when used to describe a security that trades on TSXV, it means both securities that are listed by TSX Venture Exchange, and securities that are not listed by TSX Venture Exchange but are posted to trade on TSXV. Other definitions have been modified to ensure that they capture the distinction between “listed security” and “security”.

General Trading Rules

Terms are updated throughout the TSXV Rules to confirm that most provisions apply to all securities. The buy-in provisions have been modified to confirm that buy-in procedures are provided only at TSXV’s discretion. This allows TSXV to differentiate between buy-in services that it offers with respect to listed securities versus posted securities.

New TSXV Rule C.2.54

A new section is inserted in the TSX Venture Rules to confirm that TSXV is permitted to trade securities that are not listed by TSX Venture Exchange. TSXV Rule C.2.54 includes clarifying provisions describing TSXV’s ability to remove a posted security from trading and to halt a posted security.

IV Impact

The impact to the market will be positive because an additional trading venue with a proven track record will be available to execute trades of securities listed by other exchanges. Once the Amendments are approved, if TSXV determines that it will trade securities listed by another Canadian exchange, TSXV will provide ample notice to market participants. No new connectivity will be required for POs and vendors that currently have access to TSXV.

TSXV will not operate separate “facilities” in the manner that CNSX Markets Inc. describes Pure Trading and the Canadian National Stock Exchange (CNSX). All securities traded on TSXV, whether or not they are listed by TSX Venture Exchange, will trade in the same book and all trades will be subject to the TSXV Rules. Order entry on TSXV will be identical for securities listed by TSX Venture Exchange and securities listed by other exchanges.

It is anticipated that existing TMX data feed processes will be used to disseminate trade and quote data for securities listed by other exchanges. This means that the TSXV real-time data feeds distributing beginning of day symbol status information will include a unique marker distinguishing the listing exchange for each security. Order and trade information regarding these securities will be contained in the data provided by TSXV to the information processor and incorporated into the relevant existing TMX downstream systems such as CDS and IIROC feeds. Any downstream reporting compiled by TSXV that includes symbol level information will distinguish other securities from TSX Venture Exchange-listed securities.

In addition to the listing exchange identifier, securities listed on another exchange will be added to TMX systems as a separate stock group. This stock group structure is currently operating and it enables various users to access information that provides, among other things, the identity of the listing venue.

The Amendments will allow TSXV to have the opportunity to add trading depth to the market in the event that other Canadian exchanges begin to list securities that TSXV determines are appropriate for trading on TSXV. These securities will be subject to the same allocation rules as TSX Venture Exchange-listed securities.

V Consultation and Review

TSXV did not consult with customers on the Amendments. We believe that the Amendments will provide trading opportunities to all market participants.

VI Alternatives

No alternatives were considered.

VII Comparable Rules

CNSX Markets Inc. operates CNSX and an alternative facility, Pure Trading, and it trades both CNSX-listed securities and securities listed by Toronto Stock Exchange and TSX Venture Exchange. CNSX Markets Inc. offers this functionality under one set of public trading rules pursuant to the terms of the CNSX Markets Inc. stock exchange recognition order issued by the Commission. In the U.S. there are a number of exchanges trading securities that are listed by other U.S. exchanges. The Alpha application for exchange recognition appears to be structured in a way that affords Alpha Exchange the ability to trade both securities listed by Alpha Exchange and securities listed by other venues.

VIII Questions

Questions concerning this notice should be directed to Deanna Dobrowsky, Director, Regulatory Affairs, TMX Group Inc. at (416) 947-4361.

Schedule A

RULE A. 1.00 – INTERPRETATION

A1.01 – Definitions

In these rules unless the context otherwise requires:

~~"Arbitrage" is the business of buying or selling securities in one market with the intention of immediately reversing such transactions in another market in order to profit from price differences between such markets if such business is not casual but contains the element of continuity.~~

"better-priced limit order" means a limit order entered prior to the opening of trading of a ~~listed~~ security to buy at a price that is higher than the opening price, or to sell at a price that is lower than the opening price.

[Amended ●](#)

"Book" means the electronic file of committed orders for a ~~listed~~ security.

[Amended ●](#)

"calculated opening price" or "COP" is the price of opening trades in a ~~listed~~ security calculated in the manner prescribed by the Board.

[Amended ●](#)

"committed order" means an offer to buy or sell a specific number of shares or units of a ~~listed~~ security at a specific price that is entered in the Book and that is open for acceptance by any other Member.

[Amended March 10, 2006 ●](#)

"Exchange Contract" means any contract:

- (a) to buy and sell any ~~listed~~ security, if such contract is made through the facilities of the Exchange; or
- ~~(b) (b)~~ [for delivery of and payment for any listed security \(or security which was a listed security security that was posted for trading on the Exchange](#) when the contract was made), arising from settlement through the Clearing Corporation.

[Amended ●](#)

~~"External distribution" means a distribution by a member or affiliated company, with the approval of the Exchange, of a block of stock owned by such member or affiliated company where the securities are qualified under a prospectus or Exchange offering prospectus.~~

~~"Guaranteeing" includes the becoming liable for, providing for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing~~

~~security for a person, including an agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment primarily for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance.~~

~~"Independent member" means a member that is not a related issuer in respect of the member that is acting as an advisor, agent or underwriter or as a member of a selling group with respect to a distribution of securities by an issuer.~~

"Listed issuer" means an issuer ~~having any~~which has one or more classes of its securities listed for trading ~~on~~by the Exchange.

Amended •

"Listed security" means a security ~~that is~~ listed by the Exchange and posted for trading on the Exchange.

Amended •

"Opening time" means the time fixed by the Board for the opening of Sessions of trading in ~~listed~~ securities.

Amended •

~~"Private placement" means an issuance from treasury of securities for cash in reliance on one or more of the exempting provisions from the prospectus requirements of the applicable securities laws as amended, or equivalent legislation of another jurisdiction, including the issuance of shares, units, share purchase warrants, convertible securities or debt, but not including a rights offering.~~

"security" when used to describe a security that trades on the Exchange means:

(a) a listed security (as such term is defined herein); and

(b) a security that is posted for trading on the Exchange, but not listed by the Exchange.

Added •

~~"Restrictive securities" means securities of a member, or holding company of a member which, in the opinion of the Exchange, entitle the holders thereof to rights which give them a more extensive or substantial degree of influence over the issuer or the operations thereof than is usual for holders of the same amount of securities of the same type.~~

"settlement day" means any trading day on which settlements in ~~listed~~ securities may occur through the facilities of the Clearing Corporation.

Amended •

"trading system" means the trading system used by the Exchange and includes all facilities and services provided by the Exchange to facilitate trading, including, but not limited to: electronic systems for trading ~~listed~~ securities; data entry services; any other computer-based trading systems and programs; communications facilities between a system operated or maintained by the Exchange and a trading or order routing system operation or maintained by a Member, another market or other person approved by the Exchange; and price quotations and other market information provided by or through the Exchange.

Amended ●

~~"Unlisted security" means a security which is not a listed security.~~

RULE C.1.00 – GOVERNANCE OF TRADING SESSION

C.1.02 – Trades Outside of Hours for Session

Except as approved by a Market Official, no trade in a ~~listed~~ security shall be made on the Exchange at a time prior to the dissemination by the Exchange on the trading system of a message opening the Session or at a time after the dissemination by the Exchange on the trading system of a message closing the Session.

[Amended ●](#)

C.1.05 – Trading in the Book

- (1) The Book shall contain and display all committed orders to buy or sell a ~~listed~~ security that are made on the Exchange, unless otherwise provided by the Exchange.
- (2) Only committed orders shall participate in trading, except for trading in the special terms market.
- (3) All trades in ~~listed~~ securities on the Exchange shall be executed in the Book, unless otherwise provided by the Exchange.

Amended ~~March 10, 2006~~ ●

RULE C.2.00 – TRADING PROCEDURES AND PRACTICES

Opening

C.2.04 – Execution of Trades at an Opening

- (1) Subject to Rule C.2.05, ~~listed~~ securities shall open for trading at the opening time and opening trades shall be at the Calculated Opening Price.

Rule C.2.04 Amended May 4, 2009 [●](#)

C.2.05 – Delayed Openings

- (1) A security shall not open for trading if, at the opening time, orders that are guaranteed to be filled pursuant to Rule C.2.04(2) cannot be completely filled by offsetting orders.
- (2) A Market Official may delay the opening of a security for trading on the Exchange if:
 - (a) the Calculated Opening Price exceeds price volatility parameters set by the Exchange; or
 - (b) the opening of another ~~marketplace~~ [recognized exchange](#) where the security is ~~traded~~ [listed for trading](#) has been delayed.
- (3) If the opening of the ~~listed~~ security is delayed, a Market Official shall open the security for trading according to Exchange Requirements.

Rule C.2.05 Amended May 4, 2009 [●](#)

C.2.07 – Minimum Quotation Spread

Unless otherwise fixed by the Board, orders for ~~listed~~ securities shall only be entered on the Exchange at the following price increments:

<u>Increment</u>	
Selling under \$0.50	\$0.005
Selling at \$0.50 and over	\$0.010

Amended April 2, 2003 [●](#)

C.2.10 – Stop Loss Orders

A stop loss order to buy a ~~listed~~ security [on the Exchange](#) becomes a limit order when at least a board lot is traded at or above the stop loss price. A stop loss order to sell a ~~listed~~ security [on the Exchange](#) becomes a limit order when at least a board lot is traded at or below the stop loss price.

[Amended](#) [●](#)

C.2.19 – Trades on a "When Issued" Basis

- (1) The Exchange may post any security to trade on a when issued basis if such security is conditionally approved for listing ~~on the Exchange~~ by a recognized exchange.
- (2) Unless otherwise specified, trades on a when issued basis are subject to all applicable Exchange Requirements relating to trading in a ~~listed~~ security, notwithstanding that the security is not listed.
- (3) All trades on a when issued basis shall be ~~canceled~~ cancelled if the Exchange determines that the securities subject to such trades will not be issued.

Amended •

C.2.20 – When Issue Delisted or Suspended or No Fair Market

- (1) The Exchange may postpone the time for delivery on Exchange Contracts if:
 - (a) the listed security is delisted;
 - (b) trading is suspended in the ~~listed~~ security; or
 - (c) the Exchange is of the opinion that there is not a fair market in the ~~listed~~ security.
- (2) If the Exchange is of the opinion that a fair market in the ~~listed~~ security is not likely to exist, the Exchange may provide that the Exchange Contracts be settled at a fair settlement price.
- (3) If the parties to the Exchange Contract cannot agree on the amount, the Exchange shall fix the fair settlement price after providing each party with an opportunity to be heard.

Amended •

C.2.23 – Approval by Exchange

- (1) Except as permitted by the Exchange, no person shall enter orders or trade ~~Exchange-listed~~ securities on the Exchange for or on behalf of a Member (whether as principal or agent) ~~on the Exchange~~ by any means unless that person has been approved as an Approved Trader by the Exchange.
- (2) No Member shall permit access to the Exchange's trading system by any means to any person unless such person has been approved as an Approved Trader by the Exchange.

Amended •

Trading of Securities Not Listed by the Exchange

C.2.54 – Requirements

- (1) The Exchange, in its discretion, may post for trading securities that are listed by another exchange recognized in a jurisdiction in Canada.
- (2) The Exchange may remove a posted security from trading at any time without prior notice.
- (3) The Exchange will halt the trading of a posted security if:

(a) the security is subject to a regulatory halt; or

(b) the security is no longer listed by a recognized exchange or is suspended from trading by the recognized exchange.

Rule C.2.54 Added •

RULE C.3.00 – CLEARING AND SETTLEMENT OF TRADES OF ~~LISTED~~ SECURITIES

C.3.01 – Definitions

In this part:

"Buy-In Notice" means the written notice in the form required by the Exchange to be delivered by a Member which has failed to receive ~~listed~~ securities to which it is entitled from another Member.

"delivery" or "delivered" means the transfer of ~~listed~~ securities through physical transfer of certificates evidencing the ~~listed~~ security, or by transfer of a book-based position in accordance with the rules of the Clearing Corporation.

Amended ●

C.3.03 – Trades to be Settled Through Clearing Corporation

On all Exchange trades in ~~listed~~ securities, except those specifically designated as cash trades, delivery and payment shall be made through the Clearing Corporation unless authorized by the Exchange.

Amended ●

C.3.05 – Buy-Ins

In the event that a Member fails to:

- (a) carry out an Exchange Contract within the time provided in the Exchange Requirements; or
- (b) settle a loan of securities as provided in Rule C.3.05 (2); or
- (c) deliver securities as provided in Rule C.3.05(3);

such Member is in default of the Exchange Contract and the trade may be closed out, at the discretion of the Exchange, through the buy-in procedure set out in Rule C.~~3.00~~3.00.

(1) Failed Trade

Pursuant to Rule C.3.02, the selling Member shall deliver ~~listed~~ securities to the Clearing Corporation for trade settlement purposes.

(2) Security Loans

In the absence of any agreement to the contrary, a loan of ~~listed~~ securities between Members may be called through service of notice in writing of termination of the loan to the borrowing Member and the borrowing Member shall return securities of the same class as those loaned in the specified quantity by the close of business on the third Settlement Day following the date of receipt of such notice.

(3) **Other Failed Positions**

In the absence of any agreement to the contrary, a Member shall deliver ~~listed~~ securities to another Member pursuant to an obligation to deliver that results from a reorganization of the issuer, an allocation of securities or any other obligation considered applicable by the Exchange.

[Amended ●](#)

C.3.06 – Special Provisions for Buy-Ins from Securities Loans and Other Failed Positions

In connection with a buy-in that is the result of a default pursuant to Rules C.3.05(2) or (3), the following rules shall apply in addition to the provisions of Rule C. 3.05:

- (1) Where the Member in default delivers the ~~listed~~ securities subject to the Buy-In Notice prior to execution of the buy-in, the Member in default shall notify the Exchange and the buy-in will be cancelled upon confirmation by the Exchange of the delivery of the listed securities.
- (2) The Member which has issued a Buy-In Notice may extend the buy-in by delivering a notice of extension in writing to the Exchange before 3:00 p.m. E.T. on the day the buy-in is to be executed.
- (3) Failure to settle a trade that is the result of a buy-in that is the result of a default in accordance with the terms of the buy-in, if not resolved by the Members concerned, shall be resolved by cancellation of the buy-in contract and issuance of a further buy-in and, in such case, the Member selling to the original buy-in shall be liable for any loss or damage resulting from failure to deliver.
- (4) Following execution of a buy-in, the Member that issued the Buy-In Notice shall notify the Member in default in writing of the amount of the difference between the amount to be paid on the Exchange Contract closed out, and the amount paid on the buy-in, if any, and such difference shall be paid to the Member entitled to receive the same within 24 hours of receipt of such notice.
- (5) Where more than one buy-in has been arranged in connection with the same ~~listed~~ securities, the Market Official may combine any number of the trades.

[Amended ●](#)

C.3.08 – Restrictions On Members' Involvement In Buy-Ins

- (1) No Member shall knowingly permit any person on whose behalf a Buy-In Notice has been issued to fill all or any part of such order by selling the securities for the account of that person or an associated account and prior to selling to a buy-in, the Member, shall receive written or verbal confirmation that the order to sell is not being placed on behalf of the account of the person on whose behalf the Buy-In Notice was issued or an associated account.
- (2) A Member that issued a Buy-In Notice and the Member against whom a Buy-In Notice has been issued may supply all or a part of the ~~listed~~ securities provided that the principal supplying the ~~listed~~ securities is not:
 - (a) the Member;

- (b) an Approved Person or employee of the Member; or
 - (c) an associate of any person described in Rules C.3.08(2)(a) or (b).
- (3) If ~~listed~~ securities are supplied by the Member that issued the Buy-In Notice, delivery shall be made in accordance with the terms of the contract thus created, and the Member shall not, by consent or otherwise, fail to make such delivery.

Amended •

RULE D.4.00 – LIMITATION OF LIABILITY AND INDEMNIFICATION

D.4.01 – Definitions

For the purposes of this section 1 only:

"Trading system" includes all facilities and services provided by the Designated Markets to facilitate trading, including, but not limited to, electronic, remote or computer-based systems for trading, trade reporting or trade monitoring of ~~listed~~ securities, and over-the-counter securities; data entry, display and printing services; any other computer-based trading, monitoring and control systems and programs; communications facilities operated or maintained by the Designated Markets; trading or order routing systems operated or maintained by a Member or another market in conjunction with or integrated through facilities or systems operated or maintained by the Exchange; and price quotations and other market information provided by or through any of the Designated Markets.

[Amended ●](#)
