



**Canadian Securities Exchange
Significant Change Subject to Public Comment
Amendments to Trading System Functionality & Features
Notice and Request for Comment**

CNSX Markets Inc., (“CSE”) is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange’s recognition orders (the “Protocol”). The CSE intends to implement enhancements to its trading system in response to customer feedback. The proposed changes are described below.

A. Description of the Proposed Changes

Regular Hours Only (RHO) Option

CSE is proposing an RHO option on orders. The RHO option can be added to any order to restrict trading to the Primary Market regular trading hours for the security (which are typically between 09:30 AM and 4:00 PM), with "Primary Market" meaning the exchange on which a security is listed.

- RHO orders entered before the Primary Market open are queued until the Primary Market open occurs (“release time”).
- RHO orders do not participate in the opening match or CSE Closing Price Session (CCP).
- RHO orders expire from the order book at the Primary Market close of the security (“expiry time”).
- Between the release time and expiry time, orders marked RHO do not change their designated behaviour and will execute accordingly.
- The RHO option can be applied to all CSE-supported order types (including on-stops and Icebergs).
- With the exception of oddlot and special term orders, any orders with the RHO option that are entered before the Primary Market open will be defaulted to OPR Reject/Cancel if no other OPR instructions are present.
- When the RHO option orders are released from the queue at the Primary Market open, the integrity of price/time priority is maintained with the orders already present in the order book and with the queued orders relative to each other based on time of receipt. Orders entered before the queue release will maintain higher time priority than the queued orders.

Below is an example of a queue release at 9:30 AM to demonstrate price/time priority is maintained.

Visible order book just prior to 9:30AM, (prior to the release of RHO Orders)

Order Type	Volume	Bid Price	Offer Price	Volume	Order Type
Non-RHO Order	100	10.00	10.01	100	Non-RHO Order
Non-RHO Order	100	10.00	10.02	100	Non-RHO Order
Non-RHO Order	100	9.99			

There is an RHO Order to buy 100 shares at 10.00 in the release queue.

Visible order book after 9:30AM (following the release of RHO orders)

Order Type	Volume	Bid Price	Offer Price	Volume	Order Type
Non-RHO Order	100	10.00	10.01	100	Non-RHO Order
Non-RHO Order	100	10.00	10.02	100	Non-RHO Order
RHO Order	100	10.00			
Non-RHO Order	100	9.99			

The RHO Order at 10.00 gets time priority behind the other two bids at 10.00 but gets price priority ahead of the bid at 9.99.

The two non-RHO bids at 10.00 that were in the book would at this point get filled before the released RHO order.

B. Expected Implementation Date: Q4, 2020

C. Rationale and Analysis

CSE is proposing the addition of the RHO order at the request of clients who would like the option to execute other listed securities on the CSE, but only during the Primary Market trading hours.

D. Expected Impact

CSE does not anticipate any adverse impact. The proposed changes are in response to customer requests. The use of this feature is optional. Customers would expend minimal effort to include one new value for the "Time-in-Force" order entry tag. Customers wishing to make greater use of the feature through more elaborate implementations would expend additional effort.

E. Compliance with Ontario and British Columbia Securities Law

There will be no impact on the CSE's compliance with Ontario and British Columbia securities law. The changes will not adversely affect fair access or the maintenance of fair and orderly markets. The changes are consistent with the fair access requirements set out in section 5.1 of NI21-101 as they are not confined to a limited number of marketplace participants and all marketplace participants will remain subject to the same rules and conditions.

F. Technology Changes

Clients already support a similar feature (to the one proposed) on another Canadian marketplace. CSE does not anticipate there will be any need for material technology changes.

G. Other Markets or Jurisdictions

The table below identifies where the proposed functionality is currently available in Canada:

ORDER TYPE	MARKETS AVAILABLE
Regular Hours Only (RHO) Order Type	NEO

MEMX and CBOE also provide an RHO order type.

Comments

Please submit comments on the proposed amendments no later than September 23, 2020 to:

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