CSE | CANADIAN™ SECURITIES EXCHANGE Always invested.

CANADIAN SECURITIES EXCHANGE

PUBLIC INTEREST RULE AMENDMENTS

PROPOSED AMENDMENTS TO CSE LISTING POLICIES

NOTICE AND REQUEST FOR COMMENTS

CNSX Markets Inc., operator of the Canadian Securities Exchange (CSE or Exchange) 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). CSE is proposing to amend CSE Listing Policies (Policies) to introduce requirements and restrictions related to market making activity where the activity will be carried out pursuant to a contract directly with a Listed Issuer. In addition, CSE is making changes relating to Promotional Activity (together, the Proposed Amendments). These Proposed Amendments are Public Interest Rule Amendments under the Protocol and subject to public comment.

A. Description of the Proposed Amendments

i. Private Market Making Arrangements

Proposed CSE Policy 7.5 provides a preface highlighting the difference between the private market making arrangements and the appointment of a market maker by the Exchange pursuant to the CSE Trading Rules[1]. It should be noted that engaging in private market making agreements is not currently prohibited under CSE Policies, however CSE believes that these Proposed Amendments would outline a framework for these types of engagements.

Proposed CSE Policy 7.6 sets out the requirement for a written agreement between the Listed Issuer and the Person providing the market making activity. The terms of this agreement must include the following:

- the Person engaged must not also conduct Promotional Activity for the same Listed Issuer;
- termination of the agreement will be triggered if the Exchange notifies the Listed Issuer of non-compliance with the requirements of the CSE policies; and
- the Listed Issuer cannot fund the execution of trades.

The Proposed Amendments in CSE Policy 7.6 also introduce specific requirements for payments to engaged Persons for market making activity. This includes that all compensation is paid directly to the counterparty under contract to perform the market making activity. In addition, the Proposed Amendments provide that compensation to the Person must be reasonable and in proportion to the financial resources of the Listed Issuer and based on the value of the services provided.

Proposed CSE Policy 7.7 provides the disclosure expectations as it relates to market making activity by requiring the Listed Issuer to publish a news release disclosing:

a. that the Listed Issuer has arranged for the Person to conduct market making activity;
b. the name, business address, email and telephone number of each Person;

[1] CSE Trading Rule 4-112(5) *Appointment of Market Makers*: The Exchange may in its sole discretion designate a Dealer as a Market Maker in respect of a Listed Security where the Dealer's trading activities suggest the market will be better served by the Dealer assuming the responsibilities of a Market Maker.

c. the date on which the market making activity will start and the date on which the market making activity will end or is expected to end; and
d. if the Person is not a Dealer, a description of any compensation that the Person will be paid by the Listed Issuer for the market making activity.

The requirements under the proposed CSE Policy 7.7 relating to the disclosure of the compensation description, the need to file a Personal Information Form, and the requirement to provide a copy of the executed agreement will not apply where the Person contracted to provide the market activity is a Dealer. CSE will rely on the relevant obligations imposed on Dealers by the Canadian Investment Regulatory Organization (CIRO).

Proposed CSE Policy 7.8 provides that the market making activity is subject to a written agreement and compliance with applicable disclosure requirements as described in proposed CSE Policy 7.7. It also describes the authority of the Exchange in instances where there is non-compliance with the policy provisions on market making.

The Proposed Amendments will result in additional disclosure, both to the Exchange and the public, about the identities of Persons engaged in market making activities and the nature of these activities. The requirements will also assist the Exchange in monitoring Listed Issuer activities and support the CIRO in its market surveillance function.

ii. Promotional Activity

CSE is proposing that CSE Policies be amended to include proposed CSE Policy 7.2(3) which prohibits Inactive Issuers from engaging any Person to conduct Promotional Activity. This is consistent with an existing restriction on Inactive Issuers in CSE Policy 3.5(2)(a).

In addition, we propose to amend CSE Policies to include CSE Policy 7.2(4) to require a Listed Issuer to ensure that a Person retained to perform Promotional Activity does not directly retain or engage another Person to conduct market making activity for the same Listed Issuer. Contractual engagements for market making services must be directly between the Issuer and the counterparty providing the services.

There are other changes to the definition of "Policy"" to correct a drafting error and properly reflect references made in the CSE Policies.

The blacklined text of the policies included in Appendix A and the amended text is attached as Appendix B. Current CSE Policies are available at: Policies | CSE - Canadian Securities Exchange (thecse.com)

B. Expected Effective Date

The Proposed Amendments will be effective following regulatory approval.

C. Rationale for the Proposal and Supporting Analysis

Listed Issuers may engage in private market making agreements under which a Person[2] agrees to provide liquidity in the Issuer's securities. This engagement is separate from the appointment of a market maker

[2] CSE Policy 1: "Person" includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership, trust, and individual.

by the Exchange pursuant to the CSE Trading Rules[3]. CSE believes that there should be a framework within which private market making engagements can occur. Specific restrictions on payment for market-making services in the form of shares, or consideration based on the market price of shares, aim to reduce the potential for inappropriate activity.

The Proposed Amendments in relation to Promotional Activity, are similar to current restrictions on Inactive Issuers as it relates to the provision of investor relations services. This is in addition to reinforcing a contractual expectation that engagements should be directly between the Issuer and the respective counterparty providing the service.

D. Expected Impact

The Proposed Amendments are expected to impact Listed Issuers contemplating engagement with Persons for Promotional Activity and/or market making activity. The requirements and restrictions around market making activity will require Listed Issuers to ensure that consideration is reasonable, disclosure is adequate, and the activity is conducted in accordance with the CSE Policy.

E. Compliance with Ontario and British Columbia Securities Law

The Proposed Amendments are consistent with Ontario and British Columbia securities law and do not impact fair access. With respect to the maintenance of fair and orderly markets, market makers engaged by Listed Issuers will be subject to the same rules relating to trading as are any other participant in the market. If the market maker is not a Dealer, they will access the market through a Dealer and be subject to all trading and market integrity rules applicable to trading, whether directly (for example insider trading rules) or indirectly (i.e. the Dealer is subject to the trading rules).

F. Technology Changes

No related technology changes are required.

G. Alternatives Considered

The alternative is to maintain the status quo whereby Listed Issuers must be advised to treat a market making contract as a Significant Transaction under CSE Policy 7. With no explicit requirements for disclosure or compensation, advice or guidance is provided on an ad hoc basis, relying on broad principles in CSE Policy 7. This creates uncertainty for Listed Issuers, Dealers, and Persons offering services, in addition to inconsistency in reporting and treatment of these arrangements.

H. Other Markets or Jurisdictions

The TSX Venture Exchange has similar disclosure and Personal Information Form requirements.

Comments

Please submit comments on the Proposed Amendments no later than December 15, 2025 to:

[3] CSE Trading Rule 4-112(5) Appointment of Market Makers: The Exchange may in its sole discretion designate a Dealer as a Market Maker in respect of a Listed Security where the Dealer's trading activities suggest the market will be better served by the Dealer assuming the responsibilities of a Market Maker.

Chioma Nwachukwu
Legal Counsel
CNSX Markets Inc.
100 King Street West, Suite 7210
Toronto, ON, M5X 1E1
Email: GeneralCounsel@thecse.com

Trading and Markets Division
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8
Email: TradingandMarkets@osc.gov.on.ca

Georgina Steffens
Senior Oversight Analyst, Markets and SRO Oversight
Capital Markets Regulation
British Columbia Securities Commission
1200-701 West Georgia Street
Vancouver, BC V7Y 1L2
Email: GSteffens@bcsc.bc.ca

BLACK-LINED VERSION OF CSE LISTING POLICIES

Policy 1: Interpretation and General Provisions

[…]

1.3 Definitions

(2) […]

"Policy or Policies" means ~~any Decision of the CSE Board in connection with the administration or application of these Policies~~ the CSE Listing Policies adopted by CSE.

[…]

Policy 7: Investor Relations, Promotional Activity, and Other Significant Transactions

[…]

7.2 Restrictions on Contracts for Investor Relations or Promotional Activities

(1) Compensation to any Person providing Promotional Activities, including Investor Relations Activities, for a Listed Issuer must be reasonable and in proportion to the financial resources and level of operations of the Listed Issuer and should be based on the value of the services provided and not on the Listed Issuer's market performance. In particular, compensation to Persons providing Investor Relations Activities may not be determined in whole or in part by the Listed Issuer's securities attaining certain price or trading volume thresholds. Except as provided in section 7.2(2) below, compensation in the form of shares or options is not acceptable and payment for services should be on a cash basis.

(2) If permitted by securities laws, options may be granted for persons undertaking Investor Relations activities provided that the total number of listed securities issuable on exercise of options provided as compensation to all Persons providing Investor Relations Activities cannot exceed 2% of the outstanding number of listed securities in any 12-month period.

(3) An Inactive Issuer may not enter into an agreement or otherwise engage any Person to conduct Promotional Activity.

(4) A Listed Issuer that arranged for a Person to perform Promotional Activity must take steps to ensure that the Person does not retain or engage another Person to conduct market making activity for the Listed Issuer.

[…]

7.5 Market Making Activities on Behalf of a Listed Issuer

(1) Listed Issuers may enter into an agreement with a Person to provide market making activity. In this context, market making activity includes the entry of orders to facilitate liquidity in the Listed Issuer's securities. It is a different role than the Market Maker referred to in Part 4 of the Rules that is appointed by the Exchange, subject to obligations as outlined in the Rules and receiving of benefits (for example,

fee reductions).

(2) Market making activity must facilitate a fair and orderly market and Persons performing market making activity should create stability in the market. Trading by Persons providing market making activity is subject to regulatory requirements around insider trading and manipulation and abusive trading, among others. Dealers facilitating trading by a Person conducting market making activity are subject to gatekeeping obligations under the applicable rules of the Market Regulator.

7.6 Restrictions on Market Making Activity

(1) This section applies to any agreement with a Listed Issuer to conduct market making activity.

(2) A Listed Issuer must not engage a Person to conduct market making activities on behalf of the Listed Issuer unless a written agreement between the Listed Issuer and the Person is executed and that the agreement provides:

(a) that the Person does not conduct Promotional Activity for the Listed Issuer and will not engage anyone to conduct Promotional Activity for the Listed Issuer and has not been engaged to conduct market making activity by anyone conducting Promotional Activity for the Listed Issuer;

(b) for termination of the agreement should the Exchange inform the Listed Issuer of non-compliance with its requirements around market making activities in Part 7 of these Policies; and

(c) an acknowledgement by the Person that other than the direct compensation for the services, the Listed Issuer has not provided, directly or indirectly, funds to facilitate market making activity.

(3) When a Listed Issuer provides compensation to a Person performing market making activity, the compensation paid must:

(a) be reasonable and in proportion to the financial resources of the Listed Issuer;

(b) be in proportion to the value of the services provided;

(c) not be based on, in whole or in part, maintaining a minimum price or trading volume for the listed securities;

(d) not be in the form of shares or options of the Listed Issuer; and

(e) be paid directly to the Person conducting market making activity.

(4) A Listed Issuer must not retain the same Person to perform Promotional Activity and market making activity for the Listed Issuer.

(5) A Listed Issuer may not engage a Related Person of that Listed Issuer to conduct market making activity.

7.7 Disclosure of Market Making Activity

(1) In addition to posting the Notice of Proposed Transaction, a Listed Issuer that engages a Person to conduct market making activity must promptly disseminate a news release disclosing the following:

(a) that the Listed Issuer has arranged for the Person to conduct market making activity;

(b) the name, business address, email and telephone number of each Person;

(c) the date on which the market making activity will start and the date on which the market making activity will end or is expected to end; and

(d) if the Person is not a Dealer, a description of any compensation that the Person will be paid by the Listed Issuer for the market making activity.

(2) Upon termination of a written arrangement for market making activities, a Listed Issuer must:

(a) disseminate a news release identifying the Person and the date of the termination, and

(b) post an amended Notice of Proposed Transaction confirming the termination date.

(3) If a Listed Issuer arranges for a Person to conduct market making activity and that Person is not a Dealer, the Listed Issuer must provide to the Exchange:

(a) A Personal Information Form for the Person, unless the Exchange confirms that the form is not required;

(b) A copy of the executed agreement(s) for the provision of market making activity;

(c) The identity of each Dealer through which the market making activity will take place, and written confirmation that the Dealer is aware of the market making arrangement;

(d) Confirmation that other than the direct compensation for the services, the Listed Issuer has not provided, directly or indirectly, funds to facilitate market making activity.

7.8 Compliance with Requirements Relating to Market Making Activity

(1) Market making activities must not commence until the agreement referred to in 7.6(2) is executed and the disclosure requirements of 7.7 have been met.

(2) If market making activities are not conducted by a Person in compliance with these Policies or if the Exchange suspects that the Person conducting market making activity is not complying with the written agreement, the Exchange has the authority to:

(a) impose terms and conditions on the Listed Issuer regarding the Persons permitted to conduct market making activities;

(b) impose terms and conditions on the market making activities that can be conducted on the securities of the Listed Issuer;

(c) require the Listed Issuer to cancel the contract between the Listed Issuer and the Person based on non-compliance; or

(d) prohibit the Listed Issuer from retaining that Person to conduct market making activities.

CLEAN VERSION OF CSE LISTING POLICIES

Policy 1: Interpretation and General Provisions

[…]

[…]

1.3 Definitions

(2) […]

"Policy or Policies" means the CSE Listing Policies adopted by CSE.

[…]

Policy 7: Investor Relations, Promotional Activity, and Other Significant Transactions

[…]

7.2 Restrictions on Contracts for Investor Relations or Promotional Activities

(1) Compensation to any Person providing Promotional Activities, including Investor Relations Activities, for a Listed Issuer must be reasonable and in proportion to the financial resources and level of operations of the Listed Issuer and should be based on the value of the services provided and not on the Listed Issuer's market performance. In particular, compensation to Persons providing Investor Relations Activities may not be determined in whole or in part by the Listed Issuer's securities attaining certain price or trading volume thresholds. Except as provided in section 7.2(2) below, compensation in the form of shares or options is not acceptable and payment for services should be on a cash basis.

(2) If permitted by securities laws, options may be granted for persons undertaking Investor Relations activities provided that the total number of listed securities issuable on exercise of options provided as compensation to all Persons providing Investor Relations Activities cannot exceed 2% of the outstanding number of listed securities in any 12-month period.

(3) An Inactive Issuer may not enter into an agreement or otherwise engage any Person to conduct Promotional Activity.

(4) A Listed Issuer that arranged for a Person to perform Promotional Activity must take steps to ensure that the Person does not retain or engage another Person to conduct market making activity for the Listed Issuer.

[…]

7.5 Market Making Activities on Behalf of a Listed Issuer

(1) Listed Issuers may enter into an agreement with a Person to provide market making activity. In this context, market making activity includes the entry of orders to facilitate liquidity in the Listed Issuer's securities. It is a different role than the Market Maker referred to in Part 4 of the Rules that is

appointed by the Exchange, subject to obligations as outlined in the Rules and receiving of benefits (for example., fee reductions).

(2) Market making activity must facilitate a fair and orderly market and Persons performing market making activity should create stability in the market. Trading by Persons providing market making activity is subject to regulatory requirements around insider trading and manipulation and abusive trading, among others. Dealers facilitating trading by a Person conducting market making activity are subject to gatekeeping obligations under the applicable rules of the Market Regulator.

7.6 Restrictions on Market Making Activity

(1) This section applies to any agreement with a Listed Issuer to conduct market making activity.

(2) A Listed Issuer must not engage a Person to conduct market making activities on behalf of the Listed Issuer unless a written agreement between the Listed Issuer and the Person is executed and that the agreement provides:

- (a) that the Person does not conduct Promotional Activity for the Listed Issuer and will not engage anyone to conduct Promotional Activity for the Listed Issuer and has not been engaged to conduct market making activity by anyone conducting Promotional Activity for the Listed Issuer;
- (b) for termination of the agreement should the Exchange inform the Listed Issuer of non-compliance with its requirements around market making activities in Part 7 of these Policies; and
- (c) an acknowledgement by the Person that other than the direct compensation for the services, the Listed Issuer has not provided, directly or indirectly, funds to facilitate market making activity.

(3) When a Listed Issuer provides compensation to a Person performing market making activity, the compensation paid must:

- (a) be reasonable and in proportion to the financial resources of the Listed Issuer;
- (b) be in proportion to the value of the services provided;
- (c) not be based on, in whole or in part, maintaining a minimum price or trading volume for the listed securities;
- (d) not be in the form of shares or options of the Listed Issuer; and
- (e) be paid directly to the Person conducting market making activity.

(4) A Listed Issuer must not retain the same Person to perform Promotional Activity and market making activity for the Listed Issuer.

(5) A Listed Issuer may not engage a Related Person of that Listed Issuer to conduct market making activity.

7.7 Disclosure of Market Making Activity

(1) In addition to posting the Notice of Proposed Transaction, a Listed Issuer that engages a Person to conduct market making activity must promptly disseminate a news release disclosing the following:

(a) that the Listed Issuer has arranged for the Person to conduct market making activity;
(b) the name, business address, email and telephone number of each Person;
(c) the date on which the market making activity will start and the date on which the market making activity will end or is expected to end; and
(d) if the Person is not a Dealer, a description of any compensation that the Person will be paid by the Listed Issuer for the market making activity.

(2) Upon termination of a written arrangement for market making activities, a Listed Issuer must:
(a) disseminate a news release identifying the Person and the date of the termination, and
(b) post an amended Notice of Proposed Transaction confirming the termination date.

(3) If a Listed Issuer arranges for a Person to conduct market making activity and that Person is not a Dealer, the Listed Issuer must provide to the Exchange:
(a) A Personal Information Form for the Person, unless the Exchange confirms that the form is not required;
(b) A copy of the executed agreement(s) for the provision of market making activity;
(c) The identity of each Dealer through which the market making activity will take place, and written confirmation that the Dealer is aware of the market making arrangement;
(d) Confirmation that other than the direct compensation for the services, the Listed Issuer has not provided, directly or indirectly, funds to facilitate market making activity.

7.8 Compliance with Requirements Relating to Market Making Activity

(1) Market making activities must not commence until the agreement referred to in 7.6(2) is executed and the disclosure requirements of 7.7 have been met.
(2) If market making activities are not conducted by a Person in compliance with these Policies or if the Exchange suspects that the Person conducting market making activity is not complying with the written agreement, the Exchange has the authority to:
(a) impose terms and conditions on the Listed Issuer regarding the Persons permitted to conduct market making activities;
(b) impose terms and conditions on the market making activities that can be conducted on the securities of the Listed Issuer;
(c) require the Listed Issuer to cancel the contract between the Listed Issuer and the Person based on non-compliance; or
(d) prohibit the Listed Issuer from retaining that Person to conduct market making activities.