

## NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

### TSX VENTURE EXCHANGE INC.

TSX Venture Exchange Inc. (“**TSXV**”) is publishing this Notice of Proposed Amendments and Request for Comments regarding changes to how Self-Trade Management interacts with Self-Trade Prevention on TSXV, as described below (the “**Changes**”). The Changes will be implemented following receipt of approval by the British Columbia Securities Commission and Alberta Securities Commission (collectively, the “**Commissions**”) following public notice and comment.

Market participants are invited to provide comments. Comments should be in writing and delivered by July 8, 2024 to:

Joanne Sanci  
Senior Counsel, Regulatory Affairs  
TMX Group  
100 Adelaide Street West, Suite 300  
Toronto, Ontario M5H 1S3  
Email: [tsxrequestforcomments@tsx.com](mailto:tsxrequestforcomments@tsx.com)

A copy should also be provided to:

Michael Brady  
Deputy Director, Capital Markets Regulation  
British Columbia Securities Commission  
701 West Georgia Street  
Vancouver, British Columbia V7Y 1L2  
Email: [mbrady@bcsc.bc.ca](mailto:mbrady@bcsc.bc.ca)

Comments will be made publicly available unless confidentiality is requested. Upon completion of the review by staff at the Commissions, and in the absence of any regulatory concerns, a notice will be published to confirm approval by the Commissions.

### **Background, Outline and Rationale for the Changes**

Self-trade prevention (or “**STP**”) is an optional order feature that prevents two orders from the same broker from executing against each other based on unique trading keys defined by the broker. These features provide more opportunities for individuals to participate on both sides of the market (ie. buy/sell) without unintentionally violating ‘wash trading’ rules under the Universal Market Integrity Rules (“**UMIR**”). UMIR permits participants to place buy and sell orders on a market for a given stock at the same price so long as that participant only trades with others and does not cross its own orders. Preventing self-trading ensures there is no misleading appearance of additional trading in a stock.

Certain solutions to assist trading participants in managing accidental trades with themselves (“**wash trades**”) are currently available on TSXV, Toronto Stock Exchange, and TSX Alpha Exchange, including, for example:

- (i) Cancel Newest Self-Trade Prevention;
- (ii) Cancel Oldest Self-Trade Prevention;
- (iii) Decrement Largest and Cancel Smallest Self-Trade Prevention;
- (iv) Self-Trade Management Order Feature (“**STM**”); and
- (v) Do Not Trade Self-Trade Prevention (known as “No Cancel (XM)” on Alpha DRK).

STM is an optional trading feature that suppresses trades from the public feed where orders on both sides of the trade are from the same broker and contain the same “self-trade key” defined by the broker. When a self-trade occurs, the order in the book appears on the public datafeed (or “**public tape**”) as a cancelled or updated order, and no trade report is published. That trade is, however, reported to CDS. As these trades are suppressed from the public tape, the trades do not update the last sale price, or any trading statistics such as daily volume and share turnover.

STP proactively stops an order from the same broker from executing against each other by using unique trade keys, thereby avoiding the trade. In contrast, STM allows the orders to execute, but suppresses the resulting trade from the public datafeed.

Matching STM and STP orders with the same self-trade key will not prevent execution. As such, if an order with STM matches against an order with STP, the trade will be executed and will appear on the public tape. This trade will update the last sale price, and any trading statistics (such as daily volume and share turnover) until such time as the dealer may instruct TSXV to cancel.

TSXV is proposing to refine the approach regarding the handling of self trades within our trading system. Pursuant to the Changes, rather than publishing a trade to the public tape that is executed between a STM and STP (even where both orders have matching self-trade keys), we are proposing that when the keys from STM and STP orders are matching, such trade be suppressed from the public tape, consistent with the STM to STM functionality. As such unintentional trade is from the same participant organization and trader representing both sides of the trade, the trade should not contribute towards the last sale price or any trading statistic such as daily volume and share turnover. This adjustment aims to streamline the handling of STP and STM behaviour for our vendors and participants, allows our trading participants to prevent wash trades more effectively, and brings TMX markets in line with other Canadian equity marketplaces, like Canadian Securities Exchange, Nasdaq Canada, and CBOE Canada.

Amendments to the TSV Trading Policy Manual are not required in order to take into account the Changes.

## **Analysis of Impact**

### *(i) Impact on Market*

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

*(ii) Impact on Clients and Service Vendors*

Participants will not be required to update their routing methodology and trading strategies to take the Changes into account. Technical developments are not required for participants to take the Changes into account.

*(iii) Impact on Compliance with Applicable Securities Laws*

The Changes will not impact TSXV's compliance with applicable securities law and in particular the requirements for fair access and maintenance of fair and orderly markets. As noted above, TSXV is of the view that the Changes will support the maintenance of fair and orderly markets.

**Consultations Undertaken in Formulating the Changes**

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

**Any alternatives considered**

No alternatives were considered.

**Do the Changes Currently Exist in Other Markets or Jurisdictions**

The Changes currently exist in other marketplaces in Canada, such as Canadian Securities Exchange, Nasdaq Canada, and CBOE Canada.

**Timing**

TSXV intends to implement the Changes in the Q3 of 2024, subject to regulatory approval.