

**TSX VENTURE EXCHANGE INC.
NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS**

TSX Venture Exchange Inc. (“TSXV”) is publishing this Notice of Proposed Amendments. The Proposed Amendments will be effective upon approval by the British Columbia and Alberta Securities Commissions (“Commissions”) following public notice and comment. Comments should be in writing and delivered by June 22, 2015 to:

Michal Pomotov
Director, Regulatory Affairs
TMX Group
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2
Email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Doug MacKay
Manager, Market and SRO Oversight.
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, British Columbia V7Y 1L2
Email: dmackay@bcsc.bc.ca

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

Background to Proposed Amendments

On October 23, 2014, TMX published the Position Paper *Reshaping Canada’s Equities Landscape*.¹ In the position paper we outlined a number of changes planned to each of the TMX equities marketplaces.

Specific changes outlined in the TMX Position Paper included the planned introduction on TSXV of a Long Life order type intended to empower natural investors and other non-latency sensitive participants by rewarding committed liquidity, and other changes intended to simplify and streamline market functionality.

We are therefore proposing amendments to the TSXV Rules to implement the changes (the “Amendments”), as outlined in this notice.

¹ Available for download at <http://www.tsx.com/resource/en/683>.

Proposed Amendments

The TSXV Rules will be amended to reflect the following changes:

1. A long life (“Long Life”) order will be introduced which will use priority benefits to reward members that are willing to commit to a minimum resting time; and
2. Specialty price crosses (currently available on TSX) will be made available on TSXV.

Please see the attached **Appendix A** for a complete blackline of the Amendments.

Expected Date of Implementation

The Amendments are expected to become effective in November 2015.

Rationale

1. *Long Life order*

The objective of the new Long Life order type is to enhance the quality of execution for natural investors and their dealers – both retail and institutional – by rewarding those willing to commit liquidity to the book for a minimum period of time.

Long Life orders will be executable once booked to the TSXV Central Limit Order Book (CLOB), but will be committed to a minimum fixed resting time in the book during which time the order cannot be amended or cancelled. This minimum fixed resting time is currently expected to be one second, a duration that should be immaterial and non-disruptive to trading by those not employing latency-sensitive trading strategies and willing to commit accessible liquidity to the book, and therefore would encourage Long Life use by such participants. Alternatively, for strategies that are latency-sensitive, a one second duration is material and should discourage, and reduce, orders resting in the book for a de minimis period of time.

In return for providing committed liquidity, Long Life orders will receive priority over orders at the same price that are not Long Life orders. Trade allocation therefore becomes Price/Broker/Long Life/Time rather than the current Price/Broker/Time matching sequence.²

By choosing to use the Long Life order type, natural investors, their dealers and other non-latency sensitive participants will be able to more effectively and confidently participate in the markets, and better achieve priority in the book, without having to compete on speed.

Expected benefits of the order type include higher fill rates for natural passive orders, higher fill rates for active orders due to better reliability of the displayed quote, and a reduction in short-horizon fleeting liquidity, unnecessary intermediation and message traffic.

See Amendments in Appendix A to Rule C.2.01, C.2.06, and C.2.56, well as the additional definitions in Part 1A.100 (“Long Life Eligible”, “Long Life Order”, and “Long Life Restriction”) which are required to implement the Long Life order type.

² Within the ‘Broker’ allocation tier, priority will be given to booked same-broker orders marked Long Life over same-broker orders that are not.

Other details relating to the implementation of the Long Life order are set out below:

- Designation of an order as Long Life is optional.
- Restrictions and benefits for Long Life orders will apply only during the trading sessions specified by TSXV, and to securities identified by TSXV as being 'Long Life eligible'. TSXV currently intends to limit the application of Long Life restrictions and benefits to the Post-Open Continuous Trading Session, and may restrict eligibility for securities or security groups where implementation of the Long Life does not deliver the intended benefits.
- Long Life benefits and restrictions will only be applicable to board lots and the board lot portion of a mixed lot order, consistent with the make-up of orders booked to the TSXV CLOB.
- Undisclosed Orders (dark orders) will not be eligible for Long Life priority benefits as they do not contribute to the reliability and stability of the displayed quotes. Consequently they are also not subject to Long Life restrictions.³
- Commencement of the minimum fixed resting time will be determined based on the time the order is booked to the TSXV CLOB,⁴ whether entered in the Pre-Open or Post-Open session.
- All amendments or cancellations of Long Life orders that have not met the minimum fixed resting time will be queued by the TSXV system until the minimum fixed resting time has elapsed. This is intended to reduce complexity for participants managing client flow that would otherwise need to handle reject messages if these amendments and cancellations were instead rejected back.
- Amendments or cancellations of Long Life orders that have met the minimum resting time requirement will be subject to an additional variable delay before being processed, the duration of which is still to be finalized but will be randomized and is expected to be less than 20 milliseconds. The objective is to further discourage use of Long-Life orders by those employing latency-sensitive trading strategies.
- Long Life orders will not be eligible for use with the "Cancel Oldest" and "Decrement and Cancel" Self-Trade Prevention features currently available on TSXV, where their use with these features would otherwise facilitate the cancellation or amendment of a Long Life order before having met the fixed and variable resting time requirements. Orders entered as Long Life for use with these Self-Trade Prevention features will be rejected.
- Long Life restrictions applicable to cancellations will not be applied where a cancellation results from Cancel on Disconnect (COD) functionality consistent with the purpose of that functionality to help manage risks associated with open orders exposed in the book that cannot be managed when there is an involuntary loss of connectivity.

³ For clarity, Long Life benefits and restrictions will apply to the undisclosed portion of an iceberg order that is a Long Life order.

⁴ The minimum fixed resting time is not applied to Long Life orders entered to a special terms book (e.g., on-stop orders) until booked in the TSXV CLOB.

- The Long Life order marker will not be disclosed on public data feeds in order to minimize the potential for information leakage.⁵

2. *Specialty price crosses*

Currently, TSX offers the ability to enter certain types of specialty price crosses, but these are not offered on TSXV. Specialty price crosses generally allow for the printing of pre-arranged trades at prices outside of the National Best Bid/Offer, as permitted by IROC for these types of crosses. They are also generally not subject to cross-interference as are other intentional cross types. The specific specialty price crosses to be implemented on TSXV are the Basis Cross, Volume-Weighted Average Price Cross, Contingent Cross, and Special Trading Session Cross. These will be enabled on TSXV in the same way as currently enabled on TSX.

The implementation of specialty price crosses on TSXV is part of our efforts to streamline functionality across our equities markets and to provide added flexibility to users of these cross types when transacting on TSXV. The ability to use these cross types on TSXV-listed symbols currently exists on Alpha Exchange.

See the Amendments in Appendix A to Rule C.2.57 and the definitions in Part A.100 of “Basis Trade”, “Specialty Price Cross”, and “Volume-Weighted Average Price Trade which are required to implement specialty price crosses.

Expected Impact

The Amendments relating to the Long Life order type are expected to enhance the quality of execution for natural investors and their dealers – both retail and institutional – by rewarding those willing to commit liquidity to the book for a minimum period of time. Expected benefits of the order type include higher fill rates for natural passive orders, higher fill rates for active orders due to better reliability of the displayed quote, a reduction in short-horizon fleeting liquidity, unnecessary intermediation and message traffic, and increased interaction among natural investors’ orders.

The introduction of specialty price crosses will allow for increased flexibility for users of these cross types when transacting on TSXV.

Expected Impact of Amendments on the Exchange’s Compliance with Applicable Securities Law and in particular on requirements for Fair Access and Maintenance of Fair and Orderly Markets

The Amendments 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. The introduction of a Long Life order type will allow natural investors, their dealers and other non-latency sensitive participants to more effectively and confidently participate in the markets without having to compete on speed.

Do the Amendments Currently Exist in Other Markets or Jurisdictions

NASDAQ PSX had previously implemented a ‘Minimum Life’ that would commit a passive order to a minimum resting time of 100ms, during which time it could not be cancelled or amended.

⁵ Each dealer will be able to identify their own Long Life orders via the private content.

As a reward, NASDAQ PSX would pay an increased rebate (additional \$0.0002 rebate per share). NASDAQ eventually eliminated this feature. In our view, the priority benefits and longer minimum resting time contemplated for the Long Life order will provide for a more attractive and meaningful offering.

Certain FX markets have also implemented a minimum resting time for limited products. For example, in 2009, ICAP introduced a minimum quote lifespan on its EBS platform, which generally set a minimum life for certain currency and precious metals contracts.

APPENDIX A AMENDMENTS

Rule A.1.00 Interpretation

▪ Rule A.1.01 Definitions

"Basis Trade" means a transaction whereby a basket of securities or an index participation unit is transacted at a price calculated in the prescribed manner which represents the average accumulation (or distribution) price of the position, subject to an agreed upon basis spread, achieved through the execution of related exchange-traded derivative instruments, which may include listed index futures, index options and index participation units in an amount that will correspond to an equivalent market exposure.

Added XX, 2015

"Long Life Eligible" means a security which has been designated by the Exchange as eligible for long life priority and allocation benefits under these Rules.

Added XX, 2015

"Long Life order" means a board lot or board lot portion of a mixed lot market or limit order that is: (a) entered for a security that has been identified by the Exchange as being Long Life Eligible; (b) identified by the participant as a Long Life order upon entry in the manner specified by the Exchange; and (c) is subject to Long Life Restrictions.

Added XX, 2015

"Long Life Restrictions" means Exchange prescribed restrictions, applicable to a Session as specified by the Exchange, which prevent the amendment or cancellation of an order for a period of time specified by the Exchange.

Added XX, 2015

"Specialty Price Cross" means a Basis Trade or Volume-Weighted Average Price Trade, or such other trade that is designated by the Exchange from time to time, resulting from the entry by a Participating Organization of both the order to purchase and the order to sell a security.

Added XX, 2015

"Volume-Weighted Average Price Trade" means a transaction for the purpose of executing trades at a volume-weighted average price calculated in the prescribed manner of the security traded for a continuous period on or during a trading day on the Exchange.

Added XX, 2015

▪ Rule C.2.01 Establishing Priority

(1) A Long Life order at a particular price shall be executed prior to an order that is not a Long Life order at that price ("long-life priority"), except in the case of an Undisclosed Order, in which case no long-life priority is provided.

(~~2~~) A Subject to Rule C.2.01(1), a disclosed order shall be executed prior to an Undisclosed Order or any undisclosed portion of an order at the same price; an undisclosed portion of an order shall be executed prior to an Undisclosed Order at the same price; and an Undisclosed Order with a Minimum Quantity shall be executed prior to an Undisclosed Order without a Minimum Quantity at the same price.

Amended January 13, 2012 and XX, 2015

~~(23)~~ Subject to Rule C.2.01(1), [Rule C.2.01\(2\)](#), and Rule C.2.06, an order at a particular price shall be executed prior to any orders at that price entered subsequently, and after all orders entered previously ("time priority"), except as may be provided otherwise.

~~(34)~~ An order shall lose time priority if its disclosed volume is increased and shall rank behind all other disclosed orders at that price.

Rule C.2.01 Amended March 1, 2011 [and XX, 2015](#)

▪ **Rule C.2.06 Allocation of Trades**

(1) Subject to Rule C.2.01(1), [and Rule C.2.01\(2\)](#) an order that is entered for execution on the Exchange may execute without interference from any order in the Book if the order is:

[\(d\) _____ part of an exempt related security cross, provided that the order is exempt from interference only to the extent that there are no offsetting orders entered in the Book, at least one of which is an order entered by the same Member, which can fill both the client's order for the particular security, in whole or in part, and an equivalent volume of the client's order for the related security. Orders in the Book will only be considered to be offsetting orders if the related security spread on execution of the clients' orders against orders in the Book is equal to or more beneficial than the related security spread offered by the Member for the contingent cross arrangement;](#)

[\(e\) _____ entered as part of a Specialty Price Cross;](#) or

~~(ef)~~ part of an intentional cross entered by a Member in order to fill a client's Special Trading Session order.

Amended December 12, 2011 and January 13, 2012 [and XX, 2015](#)

(3) Subject to Rule C.2.01(1), [and Rule C.2.01\(2\)](#), a tradeable order that is entered in the Book and is not a Bypass Order (an "incoming order") shall be executed on allocation in the following sequence:

Amended January 19, 2009 and January 13, 2012 [and XX, 2015](#)

▪ **Rule C.2.54 Special Trading Session**

(2) Except as otherwise provided, the normal rules of priority and allocation, [as applicable](#), and all other Exchange Requirements shall apply to the Special Trading Session.

Amended April 2, 2012 [and XX, 2015](#)

▪ **[Rule C.2.57 Specialty Price Crosses](#)**

[\(1\) _____ Execution](#)

[Specialty Price Crosses may be executed in the Regular Session and the Special Trading Session.](#)

[\(2\) _____ Restriction on Setting Last Sale or Closing Price](#)

[Specialty Price Crosses shall not be used in the calculation of either a last sale price or closing price for a stock for the Regular Session or the Special Trading Session.](#)

(3) Qualifying Basis Trades

A Basis Trade shall comprise of at least 80 percent of the component share weighting of the basket of securities or index participation unit that is the subject of the Basis Trade.

(4) Reporting of Basis Trades

Members executing Basis Trades on the Exchange shall report details of the transaction to a Market Surveillance Official at the Exchange and IROC in the format and at the time required by the Exchange and IROC. Such information shall include complete details relating to the calculation of the price of the Basis Trade and all relevant supporting documentation.

(5) Qualifying Volume-Weighted Average Price Trades

A Volume-Weighted Average Price Trade that is not calculated based on all trades during the Regular Session on a Trading Day shall be determined in such a manner that the time period for calculating the volume-weighted average price must commence after the receipt of the order by the Member. In addition, the types of trades to be excluded from the calculation must be determined prior to the commencement of the calculation period.

(6) Reporting of Volume-Weighted Average Price Trades

Members executing Volume-Weighted Average Price Trades on the Exchange shall report details of the transaction to a Market Surveillance Official at the Exchange and IROC in the format and at the time required by the Exchange and IROC. Such information shall include details of the time period used to calculate the volume-weighted average price, a description of any types of trades excluded from the volume-weighted average price calculation and all relevant supporting documentation.

Added XX, 2015