

TSX INC.

NOTICE OF PROPOSED AMENDMENT AND REQUEST FOR COMMENTS

ENHANCEMENT TO THE OPENING AUCTION FUNCTIONALITY

TSX Inc. ("TSX") is publishing this Notice of Proposed Amendment in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto".

Market participants are invited to provide comments on the proposed changes. Comments should be in writing and delivered by May 29, 2017 to:

Carina Kwan
Legal Counsel, 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:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Email: marketregulation@osc.gov.on.ca

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

Proposed Amendment

TSX is seeking to introduce an enhancement to its current opening auction by introducing a new Limit on Open order type. Limit on Open "LOO" orders will trade in the opening auction, with any unexecuted portion being cancelled immediately before the commencement of the continuous trading session.

To implement this enhancement to TSX opening auction functionality, an amendment to the TSX Rule Book is needed to allow for the cancellation of LOO orders at the end of the opening allocation, before continuous trading commences (the "Proposed Amendment").

Please see Appendix A for a blackline of the Proposed Amendment to TSX Rule 4-701(7) and Appendix B for a clean version of the Proposed Amendment.

Rationale

Currently, if a limit order is sent to TSX for execution in the opening auction, any portion of the order that was not filled at the opening remains in the book for execution in the continuous trading session. The LOO order type will provide additional options for participants to manage their opening orders by specifying that the order is to participate only in the opening auction, subject to its indicated limit price. The order will have the same standing in the opening allocation priority as a regular limit order participating in the opening auction.

Expected Date of Implementation

The Proposed Amendment and related functionality changes are expected to become effective in Q3 2017.

Expected Impact

The LOO order type will provide additional options for participants to manage their opening orders by specifying that the order is to participate only in the opening auction, subject to its indicated limit price.

Expected Impact of Proposed Changes on the Exchange's Compliance with Ontario Securities Law

The proposed changes will not impact TSX's compliance with Ontario securities law and in particular the requirements for fair access and maintenance of fair and orderly markets.

Estimated Time Required by Members and Service Vendors to Modify Their Own Systems after Implementation of the Proposed Amendments

This change is an extension of current functionality and behavior, by specifying an additional duration option on a standard limit order.

The proposed change is not expected to have significant impact, as this enhancement is an extension of the current order duration functionality on a limit order, and because adoption of the functionality is optional (the use of the LOO order type is not explicitly mandated).

Do the Changes Currently Exist in Other Markets or Jurisdictions?

We understand that Aequitas Lit Book's opening auction for Aequitas-listed securities has a similar order type to the proposed LOO.

In addition, this feature is generally available on U.S. equities marketplaces.

APPENDIX A

BLACKLINE OF AMENDMENTS TO TSX RULE BOOK

PART 4 - TRADING OF SECURITIES

DIVISION 7 - POST OPENING

Rule 4-701 Execution of Trades at the Opening

- (1) Subject to Rule 4-702, securities shall open for trading at the opening time, and any opening trades shall be at the calculated opening price.

Amended (February 24, 2012)

- (2) The following orders shall be completely filled at the opening:

(a) market orders and better-priced limit orders; and

(b) MBF orders.

(c) **Repealed (October 15, 2012)**

(d) **Repealed (October 15, 2012)**

Amended (October 15, 2012)

- (3) The following orders are eligible to participate in the opening but are not guaranteed to be filled:

(a) **Repealed (August 7, 2001)**

(b) limit orders at the opening price.

(c) **Repealed (October 15, 2012)**

Amended (October 15, 2012)

- (4) Unless otherwise provided, trades shall be allocated among orders at the opening price in the following manner and sequence:

(a) trades shall be allocated to orders guaranteed a fill pursuant to Rule 4-701(2) then;

(b) all possible crosses shall be executed; then

(c) **Repealed (August 7, 2001)**

(d) to limit orders at the opening price according to time priority.

- (5) **Repealed (August 7, 2001)**

- (6) **Repealed (August 7, 2001)**

- (7) Orders at the opening price that are not completely filled at the opening shall remain in the Book, at the opening price, [subject to any conditions imposed on the order that would result in the cancellation of any portion of the order that was not filled at the calculated opening price.](#)

[Amended \(●, 2017\)](#)

APPENDIX B

CLEAN VERSION OF AMENDMENTS TO TSX RULE BOOK

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