TSX VENTURE EXCHANGE INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

ENHANCEMENTS TO DARK TRADING FUNCTIONALITY

TSX Venture Exchange Inc. ("TSXV") is publishing this Notice of Proposed Amendments. The Proposed Amendments will be effective upon approval by the British Columbia Securities Commission and Alberta Securities Commissions (the "Commissions") following public notice and comment. 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:

Bruce Sinclair
Securities Market Specialist
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, British Columbia V7Y 1L2
Email: bsinclair@bcsc.bc.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 and the Commission's approval.

Background

TSXV is seeking to introduce enhancements to its current on-book dark offering in response to customer demand, in recognition of the continued evolution and growth of dark trading in Canada, and to remain competitive with the offerings of other marketplaces

At present, TSXV's on-book dark functionality generally consists of dark limit orders, dark mid-point orders, and the option to include a 'Minimum Quantity' condition. After reviewing the offerings of other marketplaces and consulting with various stakeholders, we are proposing enhancements to our on-book dark functionality which are intended to better accommodate the range of dark strategies employed by TSXV Participating Organizations and their clients, and to better facilitate integration of TSXV into dealers' multi-venue dark routing strategies.

Details and Rationale

The proposed enhancements to TSXV on-book dark functionality, as well as the proposed amendments to the TSX Venture Exchange Rule Book to accommodate such enhancements (the "Proposed Amendments"), are discussed below.

1) Dark pegged order types

TSXV will add the following *dark* pegged order types in order to accommodate a wider range of dark strategies than is currently afforded by TSXV's existing dark offering.

Primary Peg

- Pegs to the same-side Protected NBBO.
- Offsets will be allowed and can be aggressive or passive but must be entered in valid tick increments.
- Booked Primary Pegs with aggressive offsets that would otherwise lock or cross with the opposite side Protected NBBO will be pegged at one-tick inside the opposite side Protected NBBO.
- Where the Protected NBBO spread is one tick or less, a Primary Peg with an aggressive offset will be pegged at the mid-point.
- Where there is no opposite-side NBBO, a Primary Peg will be executable at the less aggressive of its pegged value maximum or its limit price, subject to current TSXV bid/ask tick limits.

Market Peg

- Pegs to the opposite-side Protected NBBO.
- Only passive offsets will be allowed, and will default to one-tick inside the opposite-side Protected NBBO. A Market Peg will never lock or cross with the opposite-side Protected NBBO.
- Offsets must be entered in valid tick increments.
- Market Pegs will float up to their stated limit price, and will remain executable at their stated limit.
- Market Pegs become non-executable where there is no opposite-side Protected NBBO.

Minimum Price Improvement Peg

- Will behave in the same manner as a Primary Peg with a one-tick aggressive offset, *except* as follows:
    - Where the pegged value would otherwise be the midpoint of the Protected NBBO spread (e.g., where the Protected NBBO spread compresses to two cents or less for a stock priced over $0.50), the peg will rest as a dark order at the same-side NBBO.

  Minimum Price Improvement Pegs will therefore never rest at the mid-point of the Protected NBBO. A participant that wishes to always peg with minimum price

improvement, including at the midpoint when the spread is two ticks or less, can do so by using a Primary Peg with a one-tick aggressive offset.

For each of the above pegged order types, the following apply:

- The pegs will float up to their stated limit price, and will remain executable at their stated limit. This differs from current mid-point peg functionality where the peg becomes non-executable if the mid-point exceeds the order's limit price. Current mid-point peg functionality will remain unchanged.
- Pegged orders will not trade when the Protected NBBO is locked or crossed.
- Normal priority rules apply.
- Pegged orders become non-executable during the opening and closing auctions, and during the extended trading session.
- Pegged orders are sent to the IIROC Market Regulation Feed upon entry or trade. Changes in the price of the order resulting from changes to the Protected NBBO will not be provided to the IIROC Market Regulation Feed.

Note: Current functionality for mid-point pegs on TSXV will remain unchanged.

2) 'Seek Dark Liquidity' only capability

TSXV will add a 'Seek Dark Liquidity' (SDL) feature for use only with orders marked as IOC or FOK. The SDL feature will ensure that an incoming active order will execute only against resting orders that are dark. This feature will facilitate integration of TSXV on-book dark into dealers' multi-venue dark routing strategies where attempting to access dark only or when sweeping dark before lit.

SDL can be set by participants with either of the two following options:

- Option 1 - Trade against dark resting orders at prices up to and including one tick inside the opposite side Protected NBBO (or the order's limit price if less aggressive).

- Option 2 - Trade against dark resting orders at prices up to and including the opposite-side Protected NBBO (or the order's limit price if less aggressive).

When Option 2 is selected, executions against dark liquidity resting at the opposite-side Protected NBBO will be subject to regulatory restrictions applicable to 'at-the-quote' dark trading.[1] Consequently, where there is resting visible liquidity on TSXV at the opposite-side Protected NBBO, an incoming SDL order marked for Option 2 will only be executable against dark resting orders to a maximum of one tick inside the opposite side Protected NBBO.

3) Minimum Quantity and Minimum Interaction Size

Minimum Quantity

TSXV is modifying the current Minimum Quantity (MinQty) functionality to make it more consistent with the similar feature offered by other markets, and to address participant feedback about the

[1] Requirements in section 6.6 of UMIR to execute visible before dark liquidity and minimum size requirements applicable to incoming orders (greater than 50 standard trading units or $100,000 in value).

usability and outcomes via the current functionality. The existing MinQty functionality will be modified in the following ways:

- MinQty will be available for use with any dark order – specifically pegs, dark limit orders and SDL orders. (MinQty is currently only available for use with dark mid-point orders.)
- The current minimum 20 board lot condition applicable to MinQty usage will be removed.
- The priority benefit currently provided to a resting dark mid-point satisfying the MinQty usage condition will be removed. A dark order with a MinQty restriction will no longer have automatic priority over another resting dark order at the same price level.

MinQty will continue to be enforced on both active and passive fills. When enforced on active fills, MinQty determines the minimum aggregate volume that must be filled (regardless of the size of each individual fill) in order to execute actively. When enforced on passive fills, MinQty allows the resting order to be filled against a contra-side incoming order if the resting order will receive an execution of at least the MinQty size condition.

Minimum Interaction Size

TSXV will introduce a new feature called 'Minimum Interaction Size' (MIS) intended to address participant concerns around potential information leakage when executing dark against small-sized contra-side orders.

MIS will determine the minimum size that a contra-side order must be in order to execute against it. Like MinQty, MIS will only be available for use with dark order types (pegs, dark limit orders and SDL orders).

MIS will be enforced on both active and passive fills. For active fills, MIS will be enforced to allow executions against resting contra-side dark orders that meet or exceed the specified MIS size. A MIS order will generally not proceed to execute actively at a subsequent price level where it would otherwise mean trading through dark resting orders that did not meet the MIS size. In these cases, the MIS order will either book and lock (dark) with the unexecuted smaller-sized resting dark orders or will cancel back based on the specified time-in-force condition. MIS will not be enforced if executing against resting contra-side visible orders.

When enforced on passive fills, MIS will allow the resting order to be filled against a contra-side incoming order when the original size of the incoming order meets or exceeds the resting order's MIS size condition.

If both MinQty and MIS are specified on an order, only the MIS will be applied.

4) Iceberg enhancements

Random refresh size for displayed quantity

TSXV will provide additional means for iceberg users to obscure the presence of their iceberg order by providing an option to randomize the refresh size for the displayed quantity within a specified range.

Participants will be able to specify a +/- range which, when applied to their displayed quantity amount entered by the user, will establish the ceiling / floor for randomization of the refreshed display size. For example, an iceberg order with an entered display quantity of 700 and a +/-

range of 500 shares will refresh the displayed quantity within the range of 200 to 1,200 shares. When a +/- range is selected, the initial displayed size will also be randomized.

In practice, the lower and upper bounds for any calculated range will always be constrained to a minimum of one board lot and a maximum of the total remaining order size.

Proposed Amendments to TSXV Rule Book

To implement the Minimum Quantity changes above, certain amendments to the TSXV Rule Book are required:

- remove the definition of 'Minimum Quantity' (which imposes a minimum size restriction); and
- remove the current priority allocation benefit for dark orders with a minimum quantity.

See the blacklined amendments in Appendix A to TSXV Rules A.1.01, C.2.01(2) and C.2.06(3). Please see Appendix B for a clean version of the Proposed Amendments.

Expected Date of Implementation

The proposed changes and related rule amendments are expected to become effective in Q3 2017.

Expected Impact

TSXV is enhancing its current on-book dark functionality in response to customer demand, in recognition of the continued evolution and growth of dark trading in Canada, and to remain competitive with the offerings of other marketplaces.

The changes are intended to better accommodate the range of dark strategies employed by TSXV Participating Organizations and their clients, and to better facilitate integration of TSXV into dealers' multi-venue dark routing strategies.

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

The proposed 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. TSXV will continue to apply appropriate execution logic to ensure conformance with dark price improvement requirements under section 6.6 of UMIR.

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

Most of the changes represent an extension of current functionality and behaviour, or are features already available on other markets. Adoption of the functionality is also optional on the basis that

neither the use of dark orders nor the accessing of resting dark liquidity is explicitly mandated, and other options currently exist via dark offerings on other marketplaces.

Regardless, based on current planned implementation timelines, we anticipate that at least 90 days will be provided between regulatory approval of the proposed change and implementation which should be sufficient to allow adoption by those that wish to take advantage of the enhancements.

Do the Changes Currently Exist in Other Markets or Jurisdictions?

These features are generally available on other Canadian marketplaces, or represent minor modifications to existing and available dark functionality.

APPENDIX A

BLACKLINE OF AMENDMENTS TO TSXV RULE BOOK

RULE A. 1.00 – INTERPRETATION

A1.01 – Definitions

~~"Minimum Quantity" means the minimum size for execution of an order which must not be less than such size as determined by the Exchange.~~

~~Added January 13, 2012~~

RULE C.2.00 – TRADING PROCEDURES AND PRACTICES

Priority

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) 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; and 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~~ November 20, 2015 and ●, 2017

(3) 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.

(4) 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 November 20, 2015

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:

(a) part of an internal cross;

(b) an unattributed order that is part of an intentional cross;

(c) part of a Designated Trade;

(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

(f) 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 November 16, 2015

(2) Subject to subsection (1), an intentional cross is executed without interference from orders in the Book, other than attributed orders entered in the Book by the same Member according to time priority.

(3) Subject to Rule C.2.01(1)~~,~~ ~~and~~ Rule C.2.01(2)~~,~~ and any conditions imposed on either the tradeable order or the offsetting order that would otherwise prevent the two orders from executing against each other, 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:

(a) to offsetting orders entered in the Book by the same Member that entered the incoming order according to the time priority of such offsetting orders in the Book, provided that neither the incoming order nor the offsetting order is an unattributed order; then

(b) to offsetting orders in the Book according to time priority.

(4) A tradeable order that is entered in the Book and is a Bypass Order shall execute against the disclosed portion of offsetting orders in the Book according to the price/time priority established in Rule C.2.01.

Amended January 19, 2009~~,~~ ~~and~~ January 13, 2012~~,~~ ~~and~~ November 16, 2015 and ●, 2017

APPENDIX B

CLEAN VERSION OF AMENDMENTS TO TSXV RULE BOOK

RULE C.2.00 – TRADING PROCEDURES AND PRACTICES

Priority

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) 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; and an undisclosed portion of an order shall be executed prior to an Undisclosed Order at the same price.

Amended January 13, 2012, November 20, 2015 and ●, 2017

(3) 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.

(4) 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 November 20, 2015

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:

(a) part of an internal cross;

(b) an unattributed order that is part of an intentional cross;

(c) part of a Designated Trade;

(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

(f) 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 November 16, 2015

(2) Subject to subsection (1), an intentional cross is executed without interference from orders in the Book, other than attributed orders entered in the Book by the same Member according to time priority.

(3) Subject to Rule C.2.01(1), Rule C.2.01(2), and any conditions imposed on either the tradeable order or the offsetting order that would otherwise prevent the two orders from executing against each other, 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:

(a) to offsetting orders entered in the Book by the same Member that entered the incoming order according to the time priority of such offsetting orders in the Book, provided that neither the incoming order nor the offsetting order is an unattributed order; then

(b) to offsetting orders in the Book according to time priority.

(4) A tradeable order that is entered in the Book and is a Bypass Order shall execute against the disclosed portion of offsetting orders in the Book according to the price/time priority established in Rule C.2.01.

Amended January 19, 2009, January 13, 2012, November 16, 2015 and ●, 2017