TORONTO STOCK EXCHANGE

NOTICE OF APPROVAL

AMENDMENTS TO TORONTO STOCK EXCHANGE RULE BOOK – MARKET MAKING

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "Protocol"), TSX Inc. ("TSX") has adopted, and the Ontario Securities Commission (the "Commission") has approved, amendments (the "Amendments") to the TSX Rule Book (the "Rules") to reflect enhancements to TSX's market making program. The Amendments are public interest amendments to the Rules.

The Amendments, together with certain other changes to TSX marketplace functionality, were published for public comment on April 6, 2017 to the Commission's website and in the Commission's Bulletin at (2017), 40 OSCB 3323 (the "Request for Comments").

Summary of Comments and Changes to the Amendments

TSX received eight comment letters in response to the Request for Comments. A summary of the comments submitted, together with TSX's responses, is attached at **Appendix A**.

TSX thanks all commenters for their submissions. In response to comments received from participants and regulators, TSX has withdrawn the proposal that the execution of MGF trades be at the protected National Best Bid and Offer instead of the TSX Best Bid and Offer. TSX will also impose a cap on Market Maker Participation fills when only one of two Market Makers is participating to ensure that its Participation fills do not exceed its individual MGF size. A blackline of the changes to the Amendments since the Request for Comments is attached at **Appendix B**.

Effective Date

The Amendments will become effective on November 27, 2017.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

1. Canadian Advocacy Council for Canadian CFA Institute Societies
2. Canadian Securities Traders Association
3. Connor Clark and Lunn Investment Management Ltd
4. Independent Trading Group
5. Jitneytrade
6. National Bank Financial
7. NEXJ Systems Inc.
8. Titan Medical Inc.

Capitalized terms used and not otherwise defined shall have the meaning given to them in the Request for Comments published on the OSC website on April 6, 2017.

Summarized Comments Received	***TSX Response***
General Comments	
While most commenters expressed overall support of TSX's efforts to modernize and update the current TSX market making program, commenters believed there were a few aspects to the proposal (as discussed further below), particularly with respect to the MGF facility and the benefits and obligations of market makers, that warranted more consideration. Two commenters supported the proposal in its entirety.	TSX would like to thank commenters for their time and support. Efforts to modernize the market making program have been developed in partnership with participants involved in market making.
Addition of Secondary Market Maker	
Some commenters support the objectives of introducing a dual market maker model, including increased competition in market making to assist small issuers listed on TSX, modernize practices, and provide more liquidity and meaningful price discovery and tighter spreads.	TSX agrees that a Secondary Market Maker will serve to increase liquidity and increase competition in market making.
A few other commenters expressed disagreement with the dual market maker model. One commenter believes that Secondary Market Makers will consist of firms running algorithms on listed securities, which will not provide additional liquidity or market depth and which will be turned off in times of high market volatility or if trades are deemed to be unfit or unprofitable. Another commenter believes that the benefits for the existing market maker are halved (notably odd lots) while the obligations remain the same if not	Secondary market making assignments are open to all qualified market making firms, some of which may be electronic, and others not. All market making firms will be subject to strict performance obligations to maintain committed top of book size and spreads over the entire time period, as outlined in the proposal. As noted in the proposal, upon implementation of the proposed changes, obligations may be sized differently for the Primary and Secondary Market Maker, but are expected to be harmonized after

greater where a Secondary Market Maker is added. This commenter suggests that having two market makers with equal obligations and equal benefits will encourage "free-riding". Instead, this commenter suggested maintaining different obligations and benefits for the Primary and Secondary Market Makers, which would better recognize their relative contributions and better incentivize them to do their jobs properly. Some commenters believe that benefits should not be equal between the Primary and Secondary Market Makers. Specifically, two commenters suggested that odd lots should not be split between the Primary and Secondary Market Makers and should be allocated to the Primary Market Maker only.	an approximately two year transition period. TSX will monitor the relative contributions of each market maker during this period to help inform the appropriate level of obligations in the long term. Regardless, it is important to note that certain benefits will continue to be aligned with obligations – e.g., participation benefits will continue to be aligned with the size of each market maker's respective MGF obligation. In response to "free-riding" off the participation parameter, this is private information that another market maker would not be able to easily determine. While TSX recognizes that the odd lots for existing market makers will be split with the addition of the Secondary Market Makers, in our view, this is fair as it is consistent with maintaining substantively similar obligations and benefits for the two market makers.
One commenter supported related market maker functionality changes to the MGF Facility to allow market makers to change their MGF size intraday, which would allow them manage their MGF risk.	TSX thanks the commenter for their support.
Two commenters supportive of the dual market making model believed that ETFs should be included in the dual market maker system. Reasons included that some ETFs may also benefit from the increased trading liquidity that the dual market maker model seeks to provide and, on the other hand, that ETFs have recently become the most attractive segment of the marketplace to trade and ETF assignments should be open to competition as well. One other commenter suggested that ETFs are unique and do not necessitate that a Secondary Market Maker should be assigned to ETFs.	The single market maker model is not being changed for ETFs as part of this proposal. TSX thanks commenters for their thoughts on this and will consider them for future proposals involving ETF market making.
Security Assignment Process for Secondary Market Maker	
One commenter had a number of suggestions related to the security assignment (allocation) process. Many of these suggestions were specific to the implementation details (e.g. timing, round robin bidding, disclosure, community allocation committee, concentration limits, involuntary assignments process) of the proposal. The key theme was for TSX not to rely solely on a formulaic approach to award assignments, but rather to use discretion to award assignments based on suggested segments and the balancing of tier ratios.	To achieve the highest service levels on each security, TSX believes that the best approach is to use a clear, transparent and deterministic approach where securities are assigned based on the highest scoring bid. We also note that, under the market making program, TSX can utilize discretion in assigning securities in cases of a tie and where unusual or exceptional circumstances exist. TSX thanks the commenter for their thoughtful suggestions in areas regarding implementation and will take these into consideration as

	implementation details are worked out in conjunction with members of the TSX market making community.
MGF Fills at NBBO	
Most commenters raised concerns with the proposal that MGF trades be executed at the NBBO instead of the TSX BBO. Some commenters noted that permitting market makers to interact with retail flow at the NBBO without requiring the posting of any liquidity at that price level may undermine the value of price discovery and the spirit of order protection and/or the dark rules, as the market maker would benefit from price-setting on another marketplace while taking away opportunities for displayed orders elsewhere to receive a fill at their protected prices (and to benefit from the price improvement they contributed).	We assert that the MGF facility should not be considered "dark liquidity", as all elements of a visible order (i.e., size, side, and price) are known with certainty or can be inferred as they are disseminated publically, and the MGF obligation is always on. We also note that the TSX is already at the NBBO the majority of the time (~90%) with an obligation on the Secondary Market Makers to ensure that the TSX is at the NBBO a minimum % of the time, so the concerns expressed should arise relatively infrequently. Despite this, given the concerns raised by commenters and the OSC, we will withdraw the proposal to guarantee MGF fills at the NBBO when TSX does not have displayed volume at the NBBO.
Pre-qualification of MGF-eligible Trader IDs	
One commenter supported the introduction of pre-qualified MGF-eligible Trader IDs, as the commenter had perceived misuse of the MGF facility based on their own experience as market maker. This commenter believes that pre-qualification will provide more consistency for both the market makers and users of the MGF facility. One other commenter does not support the pre-qualification of MGF-eligible Trader IDs because it may raise fair access concerns by deliberately segmenting market participants and differentiating among retail and institutional orders, as the use of MGF-eligible orders would only apply to retail investors and exclude institutional and other non-retail investors. This commenter also believes that any potential benefits of MGF orders resulting from the participation of two market makers would only be realized by retail clients whose brokers have made them MGF-eligible.	The proposed MGF-eligibility rules are largely the same as those in place for over 20 years and are not substantively modified by this proposal. The additional pre-qualification of MGF-eligible Trader IDs simply removes Trader IDs that would never send non-MGF-eligible order flow from consideration. For example, an order is currently not MGF-eligible if it is generated by a computer algorithm. By implementing pre-qualification of Trader IDs to include those that are "generally intended to be used to enter orders that are not MGF Ineligible Orders", a Trader ID that **only** sends orders generated by a computer algorithm (each order in any event being an MGF Ineligible Order) will not be able to be pre-qualified. Further, pre-qualification does not preclude Trader IDs that send both MGF-eligible and MGF Ineligible Orders from sending orders to the MGF facility. In these cases, the pre-qualified Trader ID must mark its orders as being MGF-eligible or not – same as is required today. We note that the AEF Facility, as approved by the OSC on January 27, 2017, proposed a similar feature of only allowing pre-qualified NEO Trader IDs to send AEF orders. Our understanding of the AEF rules as proposed is that they were more restrictive than the proposed TSX rules by not allowing institutional trader IDs to be AEF-eligible if they were to <u>ever</u> send an order that is split, generated by a computer algo, or from a DEA client. There does not appear to

	be an option to mark individual orders as AEF-eligible or not. Given the prevalent use of computer algorithms and smart order routers to manage institutional orders, it appears to us that, in practice, the only Trader IDs that would likely ever qualify for the AEF facility would be retail trader IDs.
It was also suggested that the introduction of pre-qualified MGF-eligible Trader IDs may be inconsistent with UMIR, as it appears to allow a market maker to selectively interact with an order from an MGF-eligible Trader ID and potentially misapply the order priority currently in practice which consists of both MGF-eligible and non-MGF eligible orders. This could violate the rule that a lit order be traded before a dark order at the same price on the same marketplace.	If there is a lit order on TSX at the TBBO, the lit order will always be traded before an MGF fill. The MGF is the "last resort" for a fill. Since the MGF fill can only occur at the TBBO, which is set by a lit order, there will always be a lit order that will trade ahead of the MGF order.
Increase of MGF-eligible order size, currently proposed as TBBO + MGF	
A few commenters expressed disagreement with the proposed increase to the MGF-eligible order size, from an absolute MGF size to the current proposed size of the TBBO plus the MGF size. One commenter noted that this change fundamentally alters the dynamics of the MGF facility and allows the MGF facility to increase the TSX effective quote size while also allowing market makers to become selective providers of liquidity at the TSX BBO. As market makers are able to change their MGF sizes intraday, this would allow market makers to introduce undisplayed orders at the TSX BBO on chosen securities. The proposed amendments would also allow market makers to interact with larger retail flow without displaying orders and increase the volume traded through the MGF facility. This commenter believes this would transform the MGF facility into a vehicle for market makers to receive preferential fills from retail sources. Concerns regarding order flow segmentation in the form of preferential access to retail order flow by market makers and the reduced ability of the broader marketplace to interact with retail flow were expressed by a few commenters. Fair access concerns were also cited in this regard.	TSX proposed the increase of MGF-eligible order size to allow for small size client orders, for which the MGF facility was intended to serve but are MGF ineligible under the current rules, to now effectively interact with the facility. This size change will allow more natural investor orders to utilize the MGF facility while still constraining the size of the order such that the added liquidity by MGF will not result in large price moves. To the extent that commenters feel that a market maker's guarantee via the MGF facility constitutes an undisplayed order, we assert that it is more similar to a displayed order as all elements of a displayed order (i.e., size, side, and price) are known with certainty or can be inferred. The MGF size is published in real-time on all Level 2 feeds, and updates are sent when changes are made intraday. This is consumed by most data vendors, who we understand display it on the price display. By publishing the MGF size, smart order routers can also make routing decisions based on this if desired. In fact, the TMX SOR incorporates MGF liquidity into its view of the book and subsequent routing decisions involving MGF-eligible orders. To the extent that commenters' view of the MGF is that it is a vehicle for market makers to derive benefit, we note that the MGF obligation is always "on" and market makers are obligated to fill every MGF-eligible order, which can come from all types of traders, not just retail sources. To the extent the proposed change to MGF functionality could mean greater fill certainty for

	retail clients, we agree. We also note, however, that this benefit is available not only to retail clients, but also to natural investors in the context of their smaller-sized orders, and will increase the size of available liquidity at the best price for those orders. This increase in fill certainty for investors could boost investor confidence in the markets. On concerns of order flow segmentation and reduced ability of the broader marketplace to interact with retail flow, we note that MGF fills remain a “last resort” and will only be executed once there is no remaining liquidity on TSX at the TBBO. Any participants wishing to interact with MGF-eligible orders at the TBBO can do so by posting visible liquidity at the TBBO on TSX. By doing so, they have guaranteed priority over the market maker’s MGF obligation.
Another commenter suggested that increasing MGF eligible order size beyond MGF size will result in significant oversized obligations and risks of gaming to market makers, as they would be forced to provide sizeable liquidity at prices they may not have set. This inherent risk of an oversized MGF is greater in the case of ETFs, as even trading the NBBO for an ETF in the normal course includes sizable orders from many non-TSX designated market makers. Since market makers typically post multiple bids and offers at multiple markets for hedging purposes, adding further size obligations to the market maker could result in the market maker consistently being forced to provide liquidity in size that cannot be hedged. This will result in smaller MGF sizes being posted by Primary Market Makers.	We note that this comment from an existing TSX market maker supports the view that the provision of MGF fills is an obligation. TSX acknowledges the concern of increasing risk to market makers by increasing MGF eligible order size beyond MGF size. We note that there have been opposing views expressed and the risks may depend on characteristics of the security – some commenters have also suggested this is a benefit for liquid securities. Risk can be managed through intraday MGF size changes by the market maker. For ETFs specifically, the market maker has complete control over the MGF size given that there is only one market maker and they will be able to change this intraday. TSX also intends to monitor the impact of the increase of MGF-eligible order size.
Market Maker Performance Evaluation	
In connection with the revised performance evaluation criteria that is being proposed for Secondary Market Maker assignments, a few commenters expressed some concerns that the revised evaluation criteria (which will eventually also apply to primary assignments) will soften performance assessment for market makers. In particular, evaluating Secondary Market Makers on the basis of whether a particular stock has met or failed to meet a specified spread goal, rather than the degree to which the market maker is actively trading in its assigned securities, disconnects the measurement of market maker performance with the measurement of whether the	TSX is of the view that the revised criteria is more stringent than the existing criteria and will strengthen the visibility and accountability for performance. For example, the new performance evaluation method requires compliance with new criteria not currently measured on existing TSX market makers, including: maintaining the stock at NBBO for a percentage of the time, maintaining a minimum top of the book size and maintaining a two-sided market in the 5 minutes leading up to the open. The pass/fail criteria is more deterministic and stringent, whereby all measures need to pass for an overall pass, as opposed to the current scoring system.

assigned maker actually contributed to the final outcome. For example, many liquid stocks will maintain tight spread goals without any market maker intervention. It was also suggested that benefits should only be offered in exchange for obligations if TSX can specifically measure the contribution of each individual market maker's activity and create an enforcement process for their obligations.	A decision was made to not measure the degree to which each individual market maker is actively trading in its assigned securities in order to not promote unnecessary intermediation. For example, liquid stocks that already have sufficient liquidity do not necessarily benefit from encouraging added trading by market makers. The market maker's role in this case is to monitor and step in only if needed. Monitoring performance at the symbol level, for these reasons, is more appropriate in our view. The overall philosophy of measuring on the symbol level is consistent with how existing market makers are measured today on their key measures of spread goal and liquidity factor. For the most part, the obligations of the market maker is to ensure the stock exhibits the agreed upon performance measures, for which the market maker is actively and appropriately monitored and held to. The market maker's responsibility is to continually monitor the stock's performance to ensure compliance with the agreed upon level of performance targets (bid/ask spread, top of the book size, % time at NBBO, opening presence and liquidity factor). There are clear and specific enforcement processes to measure their compliance with their obligations to the stock, including: revocation of monthly credits, removal of assigned securities, and restrictions on eligibility to bid on future security assignments. Enforcement action will be taken for underperformance in any 3 months during a rolling 12-month period rather than the current threshold of underperformance on the past 3 consecutive months.
One commenter also suggested that the current method of calculating an overall performance score would be better than the proposed method of solely assessing whether or not there has been successful performance under each performance criteria.	The new method of needing to pass each performance criteria is more stringent and easier to measure than the current method of calculating an overall score. This ensures that there is successful performance in all criteria, rather than the current method where over-performance in one criteria may make up for under-performance in another.
One commenter suggested that the scoring metric be simpler and reduced to maintaining a certain size and spread a certain % of the time. This commenter also had specific feedback on a number of the proposed criteria as well as suggestions relating to their implementation.	TSX thanks the commenter for their thoughtful suggestions. The proposed criteria has been decided on, but we will take the suggestions into consideration where feasible within the current parameters and future iterations.
Balancing Benefits with Obligations of Market Makers	
A couple of commenters indicated their view that, under the proposed amendments, the benefits to market makers are greater than their obligations.	The TSX market making program requires that liquid securities and less liquid securities be assigned to market makers in the current ratio of

	1:4 respectively. This is an imperative component of the TSX market making program and necessitates that any assessment of the balance of benefits and obligations be measured across the portfolio of assignments, and not based on the benefits and obligations applicable to any individual security. The obligations must also be evaluated during times of both normal and heightened volatility. For example, in times of volatility and large news events, bid-ask spreads for more liquid securities can widen quickly. In such scenarios, market makers would need to step in and provide liquidity at their committed bid-ask spread. Given the large volumes associated with a more liquid security, these obligations can add up quickly as the market maker would still be obligated to maintain their bid/ask spread and fill MGF and odd lot volumes at their bid/ask spread obligation, which may be tighter than what the market is trading at. For less liquid securities, the MGF and odd-lot obligations are more onerous as a result of an increased risk of being called-upon to provide liquidity through the MGF and odd-lot facilities. More market maker intervention is generally required to maintain the performance metrics for these securities due to less natural liquidity being provided by the market. There are also increased risks and costs for less liquid stocks associated with non-borrowable securities, buy-in requirements, heightened volatility and longer position holding times.
Clarification to odd lot policy	
One commenter supported the clarification to the odd lot policy that prevents multiple odd lots from being entered on a specific security from multiple managed or discretionary accounts in connection with a single investment decision.	TSX thanks the commenter for their support on this policy clarification.
Market Maker Participation Rights	
One commenter expressed concern that removing the 40% participation cap in the TSX Rule Book would allow TSX to change participation levels at its discretion and allow market makers to “top up” their theoretical participation size regardless of the size of their displayed orders. This commenter believes that this would be an additional circumstance where market makers would be given preferential fills (a benefit that is not offset with an obligation).	There is no plan to change the participation levels higher than the current cap of 40%. Even though this detail was removed from the TSX Rule Book, it will continue to be part of the TSX’s Form 21-101F1 filings, which are subject to the review and approval by the Ontario Securities Commission (OSC), as applicable in the circumstances. The cap level will also continue to be made transparent to participants through both the *TMX Order Types and Functionality Guide* and the *TSX Market Making Program Guide* (once finalized)

Timelines	
One commenter noted that from a market maker perspective, technology resources and development work will have to be done to support the proposed changes. Accordingly, public notification of the release dates and a reasonable lead time for coding should be provided on a similar basis as is provided for other trading engine releases.	TSX will publish a notice of regulatory approval after the proposed changes are approved and will allow for at least 90 days between approval and the implementation date. It is also our intention that detailed specifications and testing facilities be available in advance of the timelines imposed by the regulators.

APPENDIX B

BLACKLINE OF CHANGES TO AMENDMENTS

PART 1 – INTERPRETATION

1-101 Definitions

"**DMR**" means the Dealer Member Rules as adopted by IIROC or a predecessor or successor organization and approved by the applicable securities regulatory authorities and in effect from time to time.

Added (●, 2017)

"**Market Maker Agreement**" means an agreement entered into by a Market Maker and the Exchange which sets out the Market Maker's obligations and the terms and conditions of the Exchange's approval.

Added (●, 2017)

"**MGF-Eligible Order Size**" means the maximum order size of a buy (sell) order that is eligible for the MGF facility. This order size will be specified by the Exchange and will be no greater than the sum of the ask (bid) size displayed across protected marketplaces at the CBBO and the MGF size for that security.

Added (●, 2017)

"**MGF-Eligible Trader ID**" means an Approved Trader identifier certified by a Participating Organization and accepted by the Exchange that is:

(a) used to enter orders on behalf of Retail Customers only; or

(b) generally intended to be used to enter orders that are not MGF Ineligible Orders.

Added (●, 2017)

"**MGF Ineligible Order**" has the meaning ascribed to it in Policy 4-802(1)(a)(iii).

Added (●, 2017)

"**Responsible Designated Trader**" means an Approved Trader designated by a Market Maker Firm in accordance with Rule 4-601(4).

Amended (●, 2017)

"**Retail Customer**" is as defined in the DMR.

Added (●, 2017)

PART 4 - TRADING OF SECURITIES

DIVISION 6 - MARKET MAKERS (AMENDED)

4-601 Qualifications

(1) No Participating Organization shall be approved as a Market Maker Firm unless the Participating Organization:

(a) has demonstrated market making experience that is acceptable to the Exchange;

(b) has provided sufficient trading desk and operations area support staff; and

(c) has installed sufficient technological tools acceptable to the Exchange that will permit it to properly carry out its market making responsibilities.

(2) A Participating Organization may apply to be a Market Maker Firm and, if approved by the Exchange, must execute a Market Maker Agreement.

(3) If an application for approval as a Market Maker Firm is refused, no further application for the Participating Organization shall be considered within a period of 90 days after the date of refusal.

(4) Responsible Designated Trader

A Market Maker Firm is required to appoint a Responsible Designated Trader for each security of responsibility.

(5) Designated Market Maker Contact

A Market Maker Firm is required to designate an individual within the firm to manage the firm's market making responsibilities and to be the primary contact with the Exchange with respect to the firm's market making assignments.

Amended (●, 2017)

4-602 Assignment of Securities

(1) The Exchange shall assign securities of responsibility to a Market Maker, and shall remove securities of responsibility from a Market Maker, in accordance with the Market Maker Agreement.

(2) The Exchange retains the discretion to remove market making assignments, including, but not limited to, circumstances where

(a) a Market Maker has been found to be non-compliant with any Exchange Requirement or the Market Maker Agreement; or

(b) the Market Maker undergoes a change in control.

Amended (●, 2017)

4-603 Responsibilities of Market Makers

(1) General Principles

The primary responsibilities of a Market Maker are to maintain a fair and orderly market in its securities of responsibility and generally to make a positive contribution to the functioning of the market. Each Market Maker must ensure that trading for the Market Maker's own account is reasonable under the circumstances, is consistent with just and equitable principles of trading, and is not detrimental to the integrity of the Exchange or the market.

(2) A Market Maker shall trade on behalf of its own account to a reasonable degree under existing circumstances, particularly when there is a lack of price continuity and lack of depth in the market or a temporary disparity between supply and demand. In each of its securities of responsibility, a Market Maker shall, in accordance with this Rule and the Market Maker Agreement:

(a) contribute to market liquidity and depth, and moderate price volatility;

(b) maintain a two-sided market within the spread goal for the security;

(c) maintain a market for the security on the Exchange that is competitive with the market for the security on the other marketplaces on which it trades;

(d) perform its duties in a manner that serves to uphold the integrity and reputation of the Exchange;

(e) guarantee fills at the CBBO:

(i) for incoming tradeable odd lots and the odd lot portion of mixed lots, and

(ii) for booked odd lots which become tradeable due to a change in the CBBO; ~~and~~

~~(iii) for incoming tradeable MGF-eligible orders;~~

(f) comply with the Exchange's Minimum Guaranteed Fill requirements, which include maintaining the size of the Minimum Guaranteed Fill and guaranteeing an automatic and immediate "one price" execution of disclosed MGF-eligible orders ~~at the price specified in (e)~~;

(g) be responsible for managing the opening of its securities of responsibility in accordance with Exchange Requirements and, if necessary, for opening those securities or, if appropriate, requesting that a Market Surveillance Official delay the opening;

(h) assist Participating Organizations in executing orders; and

(i) assist the Exchange by providing information regarding recent trading activity and interest in its securities of responsibility.

(3) Gatekeeper Role - Assistance to Market Surveillance Officials

A Market Maker shall report forthwith any unusual situation, rumour, activity, price change or transaction in any of its securities of responsibility to a Market Surveillance Official.

(4) Availability and Coverage

Each Market Maker must ensure that its securities of responsibility are continuously monitored during the trading day. In this regard, a Market Maker must have adequate back-up procedures and coverage by qualified individuals in cases of any absences due to illness, vacation or other reasons.

Amended (●, 2017)

4-604 Assessment of Market Maker Performance

(1) Review of Performance

The Exchange shall periodically assess a Market Maker's performance and determine whether the Market Maker is adhering to Exchange Requirements and its obligations under the Market Maker Agreement. The specific timing and criteria for reviewing the performance of a Market Maker shall be set out in the Market Maker Agreement.

The Exchange shall consider the following conduct to be unsatisfactory:

(a) failure to meet the responsibilities set out in Rule 4-603 or the obligations in the Market Maker Agreement;

(b) failure to act in a manner that is consistent with the general intent of any of the Exchange Requirements relating to Market Makers; or

(c) engaging in any conduct that is unbecoming of a Market Maker, that is inconsistent with just and equitable principles of trade, or that is detrimental to the Exchange or the public.

(2) Penalties for Non-Compliance

Following a determination that a Market Maker has failed to satisfactorily perform its market making obligations, the Exchange may determine that:

(a) a Market Maker's approval be suspended or revoked;

(b) a Market Maker's responsibility for one or more securities be removed; and

(c) an investigation into a Market Maker's trading or activities be carried out.

Amended (●, 2017)

4-605 Market Makers Leaving Securities of Responsibility

(1) A Market Maker intending to relinquish one or more securities of responsibility shall provide the Exchange with prior notice, by such time and in such form as may be required by the Market Maker Agreement, unless such notice period or part thereof is waived by the Exchange.

Amended (●, 2017)

DIVISION 7 - OPENING

4-702 Delayed Openings

(1) A security shall not open for trading if, at the opening time:

(a) orders that are guaranteed to be filled pursuant to Rule 4-701 cannot be completely filled by offsetting orders; or

(b) the COP exceeds price volatility parameters set by the Exchange.

(2) A Market Maker or Market Surveillance Official may delay the opening of a security for trading on the Exchange if:

(a) the COP differs from the previous closing price for the security or from the anticipated opening price on any other recognized stock exchange where the security is listed by an amount greater than the greater of 5% of the previous closing price for the security and $0.05;

(b) the opening of another recognized exchange where the security is listed for trading has been delayed; or

(c) the COP is less than the permitted difference from the previous closing price for the security, but is otherwise unreasonable.

(3) Repeal proposed August 9, 2002 (pending regulatory approval)

(4) If the opening of the security is delayed, the Market Maker or Market Surveillance Official, as the case may be, shall open the security for trading according to Exchange Requirements.

Amended (●, 2017)

DIVISION 8 - POST OPENING

4-802 Allocation of Trades

(3) Subject to Rule 4-801(1) and Rule 4-801(2), a tradeable order that is entered in the Book and is not a Bypass Order shall be executed on allocation in the following sequence:

(a) to offsetting orders entered in the Book by the Participating Organization that entered the tradeable order according to the time of entry of the offsetting order in the Book, provided that neither the tradeable order nor the offsetting order is an unattributed order; then

(b) to offsetting orders in the Book according to the time of entry of the offsetting order in the Book; then

(c) to a Market Maker if the tradeable order is disclosed and is eligible for a Minimum Guaranteed Fill.

Amended (●, 2017)

Policy 4-802 Allocation of Trades

(1) MGF Facility

The MGF facility provides an automatic and immediate "one price" execution of Participating Organizations' MGF-eligible disclosed market orders and MGF-eligible disclosed tradeable limit orders, of up to the size of the MGF in the security at the ~~CBBO~~current displayed market price. For purposes of the MGF Facility, an MGF-eligible order means any client order that does not satisfy the definition under Policy 4-802(1)(a)(iii) — MGF Ineligible Orders.

(a) Obligations

(i) Market Makers shall buy or sell the balance of an incoming MGF-eligible disclosed order at the ~~CBBO~~current displayed market price when there are not sufficient committed orders to fill the incoming order at that price. Market Makers shall also purchase or sell to any imbalance of MGF-eligible disclosed orders on the opening that cannot be filled by orders in the Book.

(ii) MGF-eligible disclosed orders must be sent to the Exchange using an MGF-Eligible Trader ID.

(iii) MGF Ineligible Orders are defined as orders that meet any or all of the conditions specified below:

1. If a client buy (sell) order sent to the Exchange is part of a larger buy (sell) order of that client, the order sent to the Exchange is MGF Ineligible, unless:

a. the larger buy (sell) order is equal to or less than the MGF-Eligible Order Size; and

b. the client buy (sell) order is sent to execute on the Exchange at the same time as the remainder of the larger buy (sell) order is sent to execute on other marketplaces.

2. Any order entered by a Direct Market Access (DMA) client, whether an individual, or broker, is MGF Ineligible (unless the DMA client is a broker acting as an "agent" for retail client order flow).

3. Any client order generated by a computer algorithm is MGF Ineligible.

4. Generally any order from a customer who is involved in trading the markets directly on an active and continuous daily basis is MGF Ineligible.

5. Any order on behalf of a U.S. broker-dealer ("U.S. dealer"). This restriction does not include orders on behalf of a client of a U.S. dealer. See Policy 4-802(3) below.

(iv) If an MGF Ineligible Order is sent to the Exchange using an MGF-Eligible Trader ID, the order must be marked as MGF-NO.

MGF fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may cancel any trades deemed to be improper use of the MGF facility, or take such other action as the Exchange considers appropriate in the circumstances.

(b) Size of MGF

The size of the MGF on an assigned security shall be the sum of all Market Makers' individual MGF contributions for that security as published by the Exchange.

(2) Market Maker Participation

At the option of a Market Maker, a Market Maker may participate in any disclosed immediately tradeable orders from both MGF Eligible Trader IDs and non-MGF Eligible Trader IDs (including non-client and MGF Ineligible Orders) that are equal to or less than the size of the MGF for the security. A Market Maker may participate up to a percentage, specified by the Exchange, of the eligible order at the bid price, the ask price, or both. While a Market Maker is participating, all disclosed client orders that are equal to or less in size than the MGF for the security, including those marked "MGF-NO" and sent from an MGF-Eligible Trader ID, shall be guaranteed a fill in the MGF facility. If a Market Maker is not participating, only disclosed MGF-eligible orders sent from MGF-Eligible Trader IDs shall be guaranteed a fill in accordance with the MGF eligibility criteria described in this Policy.

(3) Use of MGF by US Dealers

Orders on behalf of U.S. dealers to buy or sell listed securities are not eligible for entry into the MGF system. The orders (if they would otherwise be MGF-eligible) must be marked MGF-NO in order to avoid triggering the responsible Market Maker's MGF obligation. This Policy applies even if the U.S. dealer is paying a commission. Orders on behalf of clients of U.S. dealers are eligible for entry into the system. Participating Organizations accepting an order from a U.S. dealer must ascertain whether the order is on behalf of a client. If the Participating Organization is unable to determine the status of the order, the order is to be treated as ineligible for entry into the MGF system. Orders on behalf of U.S. dealers that are facilitating a trade for a client of that dealer (i.e. the dealer has already filled the client's trade in the US by acting as the counterparty to the trade, and is now offsetting that position on the Exchange) are not eligible for entry into the MGF system and must be marked MGF-NO.

(4) Oddlot Facility

Market Makers also guarantee incoming tradeable odd lots at the CBBO. A Market Maker's responsibilities in regard to odd lots are the same as its responsibilities for MGF's. Participating Organizations are not permitted to: split larger orders from a single account into odd lots; enter multiple odd lots from a single account (or from multiple accounts in the case of managed accounts or discretionary accounts) on a specific security on a given day; or enter the odd lot portion of a mixed lot order immediately prior to entering the board lot portion.

Oddlot fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may cancel any trades deemed to be improper use of the Odd Lot facility, or take such other action as the Exchange considers appropriate in the circumstances.

Amended (February 24, 2012, November 16, 2015, and ●, 2017)