NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

ALPHA EXCHANGE INC.

Alpha Exchange Inc. ("**Alpha**") is publishing this Notice of Proposed Amendments and Request for Comments in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto" regarding certain amendments to how Self-Trade Management interacts with Self-Trade Prevention on Alpha, as described below (the "**Amendments**").

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

 A copy should also be provided to:

Trading & Markets Division
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 staff at the Ontario Securities Commission ("**OSC**"), and in the absence of any regulatory concerns, a notice will be published to confirm approval by the OSC.

Background, Outline and Rationale for the Amendments

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 Alpha, Toronto Stock Exchange, and TSX Venture, 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 Alpha to cancel.

Alpha is proposing to refine the approach regarding the handling of self trades within our trading system. Pursuant to the Amendments, 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.

Blackline of the Amendments

For ease of reference, a blackline of the Amendments against the existing rules is attached as Appendix A hereto, and a clean version of the Amendments is attached as Appendix B hereto.

Analysis of Impact

(i) Impact on Market

We anticipate that the Amendments will have a positive impact on the market structure, members, investors, issuers or the capital markets. Alpha believes that the Amendments 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 Amendments into account. Technical developments are not required for participants to take the Amendments into account.

(iii) Impact on Compliance with Applicable Securities Laws

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

Consultations Undertaken in Formulating the Amendments

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

Any alternatives considered

No alternatives were considered.

Do the Amendments Currently Exist in Other Markets or Jurisdictions

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

Timing

Alpha intends to implement the Amendments in the Q3 of 2024, subject to regulatory approval.

BLACKLINED VERSION OF ALPHA RULES REFLECTING THE AMENDMENTS

[...]

Change History

Version	Change	Date
[...]		
V.1.11	Changes to Self-Trade Management	*, 2024
[...]		

5.13   Self Trade Management

(1)   Alpha Self Trade Management is a designation that suppresses trades that occur in the Continuous Trading Session in the CLOB from the public feed, where orders on both sides of the trade are from the same Member and contain the same "self trade key" set by the Member. If the Self Trade Management instruction matches with a self trade prevention instruction with matching self-trade keys, this trade will be suppressed from the public feed.

(2)   Self Trade Management applies only to unintentional trading (e.g. does not apply to Crosses).

(3)   The designation is only applicable in Continuous Trading in CLOB.

(4)   Self trades that occur in the CLOB Continuous Trading Session are not disseminated on the public trade messages and do not update the last sale price, daily volume and turnover, or other trading statistics.

(5)   The designation is applicable to board lot orders and board lot portion of mixed lot orders.

> **Commentary**: The unique trading key provided by the Member for Self Trade Management is intended for use only on buy and sell orders for accounts that may result in trades where there is no change in beneficial or economic ownership.

APPENDIX B

CLEAN VERSION OF ALPHA RULES REFLECTING THE AMENDMENTS

[...]

Change History

Version	Change	Date
[...]		
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[...]		

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