



Toronto Stock
Exchange

TSX Venture
Exchange

Select

Alpha

Notice to Participating Organizations, Members, and Subscribers

February 10, 2014

2014-005

Approval of TSX, TSXV, Alpha Trading, and TMX Select Rule Amendments Related to the Implementation of Amendments to National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces*

Effective March 1, 2014 amendments to the applicable trading rules of the Toronto Stock Exchange, TSX Venture Exchange, Alpha Exchange, and TMX Select (the “Amendments”) have been approved by the OSC and BCSC.

The Amendments are being made in response to amendments to National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (NI 23-103) as well as amendments to the Universal Market Integrity Rules (UMIR) respecting requirements for participants providing third party electronic access to Marketplaces (collectively the “Regulatory Changes”).

The purpose of the Regulatory Changes is to institute a consistent framework for marketplace and marketplace participants regarding the offer and use of direct electronic access (DEA) to ensure that risks associated with DEA are appropriately managed. For further information see OSC notice “CSA Notice of Approval – Amendments to National Instrument 23-103 Electronic Trading”, dated July 4, 2013 and the Investment Industry Regulatory Organization of Canada (IIROC) notice No. 13-0184 “Provisions Respecting Third-Party Electronic Access to Marketplaces”, also dated July 4, 2013.

Both the Canadian Securities Administrators (CSA) and IIROC have recognized that a uniform regulatory framework for the provision of DEA is desirable and should appropriately reside with regulators of the marketplaces and participants granting DEA rather than being established under the rules of the exchanges and in the policies and contractual provisions of ATSs with their subscribers.

The new regulatory approach focuses primarily on trading participants to act as overseer to their clients. In this respect the new regime is participant focused and requires the participant to enact standards and contractual provisions to ensure the safety of Canadian capital markets. Many of the oversight provisions contained in the current marketplace trading rules related to DEA, formerly commonly referred to as DMA, are therefore either unnecessary, inapplicable, or duplicative given the Regulatory Changes. As a result, the applicable sections of the marketplace trading rules are being amended.

While many of the current provisions contained in the marketplace trading rules are now unnecessary, certain rights and obligations related to the provision of third party electronic access (but not specifically addressed in the Regulatory Changes) will be retained.

In addition to removing inapplicable concepts and language from the marketplace trading rules, such as the “eligible client” concept, the Amendments provide *inter alia* that:

- DEA may only be provided in compliance with Canadian regulatory requirements governing the provision of third party electronic access (i.e. in compliance with the Regulatory Changes);

- The unique client identifier associated with each third party electronic access client that is used for the purpose of providing DEA must be provided to the applicable marketplace as required by Section 4.6(2) of NI 23-103;
- Immediate notice must be provided to the applicable marketplace of any breaches of marketplace rules or the agreement pursuant to which access was granted to the marketplace as required by Section 10.18 of UMIR; and
- Marketplaces may terminate or suspend a third party's electronic access to the trading system without notice under certain circumstances as required by Section 7(1) of NI 23-103.

For the full text of the Amendments please see the attached Appendix A for TSX, Appendix B for TSXV, Appendix C for Alpha, and Appendix D for TMX Select.

For further information please contact our Account Management Team.

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About TMX Group (TSX-X)

TMX Group's key subsidiaries operate cash and derivative markets and clearinghouses for multiple asset classes including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, TMX Select, Alpha Group, The Canadian Depository for Securities, Montreal Exchange, Canadian Derivatives Clearing Corporation, Natural Gas Exchange, BOX Options Exchange, Shorcan, Shorcan Energy Brokers, Equicom and other TMX Group companies provide listing markets, trading markets, clearing facilities, depository services, data products and other services to the global financial community. TMX Group is headquartered in Toronto and operates offices across Canada (Montreal, Calgary and Vancouver), in key U.S. markets (New York, Houston, Boston and Chicago) as well as in London, Beijing and Sydney. For more information about TMX Group, visit our website at www.tmx.com. Follow TMX Group on Twitter at <http://twitter.com/tmxgroup>.

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