

**Appendix B**  
**TSXV Trading Rules**

**~~CONNECTION OF ELIGIBLE CLIENTS OF~~ MEMBERS PROVIDING THIRD PARTY ELECTRONIC ACCESS**

**RULE C.2.51 ~~DESIGNATION OF ELIGIBLE CLIENTS~~ THIRD PARTY ELECTRONIC ACCESS TO MARKETPLACES**

A Member may provide a third party with electronic access to the Exchange in the following manner:

- (a) "direct electronic access";
- (b) a "routing arrangement"; or
- (c) an "order execution service";

in each case as that term is defined in UMIR.

~~The Exchange may from time to time prescribe classes of entities as eligible to transmit orders to the Exchange through a Member.~~

**~~(2) Prescribed Classes of Entities~~**

~~For the purposes of Rule C.2.51(1), the following classes of entities are prescribed as eligible to transmit orders to the Exchange through a Member:~~

- ~~(a) a client that falls within the definition of "acceptable counterparties" or "acceptable institutions" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report;~~
- ~~(b) a client that is registered as an investment counsellor or portfolio manager under the *Securities Act* of one or more of the Provinces of Canada;~~
- ~~(c) a client that is a foreign broker or dealer (or the equivalent registration) registered with the appropriate regulatory body in the broker's or dealer's home jurisdiction and that is an affiliate of a Member acting for its own account, the accounts of other eligible clients or the accounts of its clients;~~
- ~~(d) a client that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the client and falls into one of the following categories:~~
  - ~~(i) an insurance company as defined in section 2(13) of the U.S. Securities Act of 1933,~~
  - ~~(ii) an investment company registered under the U.S. Securities Act of 1933 or any business development company as defined in section 2(a)(48) of that Act,~~

~~(iii) a small business investment company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the U.S. Small Business Investment Act of 1958;~~

~~(iv) a plan established and maintained by a U.S. state, its political subdivisions, or any agency or instrumentality of a U.S. state or its political subdivisions, for the benefit of its employees;~~

~~(v) an employee benefit plan within the meaning of Title I of the U.S. Employee Retirement Income Securities Act of 1974;~~

~~(vi) a trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in (iv) or (v) above, except trust funds that include as participants individual retirement accounts or U.S. H.R. 10 plans;~~

~~(vii) a business development company as defined in section 202(a)(22) of the U.S. Investment Advisers Act of 1940;~~

~~(viii) an organization described in section 501(c)(3) of the U.S. Internal Revenue Code, corporation (other than a bank as defined in section 3(a)(2) of the U.S. Securities Act of 1933 or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933 or a foreign bank or savings and loan association or equivalent institution), partnership or Massachusetts or similar business trust, and~~

~~(ix) an investment adviser registered under the U.S. Investment Advisers Act;~~

~~(e) a client that is a dealer registered pursuant to section 15 of the U.S. Securities Exchange Act of 1934, acting for its own account or the accounts of other eligible clients, that in the aggregate owns and invests on a discretionary basis at least \$10 million of securities of issuers that are not affiliated with the dealer, provided that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer;~~

~~(f) a client that is an investment company registered under the U.S. Investment Company Act, acting for its own account or for the accounts of other qualified institutions, that is part of a family of investment companies which own in the aggregate at least \$100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies and, for these purposes, "family of investment companies" means any two or more investment companies registered under the U.S. Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided, for these purposes:~~

~~(i) each series of a series company (as defined in Rule 18f-2 under the U.S. Investment Company Act) shall be deemed to be a separate investment company, and~~

~~(ii) investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor);~~

~~(g) a client, all of the equity owners of which are qualified institutions, acting for its own account or the accounts of other qualified institutions;~~

~~(h) a client that is a bank as defined in section 3(a)(2) of the U.S. Securities Act of 1933, or any savings and loan institution or other institution as referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933, acting for its own account or the accounts of other qualified institutions, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least \$25 million;~~

~~(i) a client that is a non-individual with total securities under administration or management exceeding \$10 million, where the client is resident in a jurisdiction that falls within the definition of "Basle Accord Countries" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report;~~

~~(j) a client that enters an order through an Order Execution Account; and~~

~~(k) a client that is: (i) a non-individual; (ii) with total securities under administration or management exceeding \$10 million; and (iii) carries on business in a foreign jurisdiction and may trade under the laws of the foreign jurisdiction for the account of another person or company using direct market access and is regulated in the foreign jurisdiction by a signatory to the International Organization of Securities Commissions' Multilateral Memorandum of Understanding.~~

### ~~(3) Interpretation~~

~~For the purposes of Rule C.2.51(2):~~

~~(a) In determining the aggregate amount of securities owned by an entity and invested on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the discretion of the entity, except that, unless the entity is a reporting company under section 13 or 15(d) of the U.S. Securities Exchange Act, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.~~

~~(b) In determining the aggregate amount of securities owned and invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps.~~

~~(c) The aggregate value of securities owned and invested on a discretionary basis by an entity shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value and no current information with respect to the cost of those securities has been published and in the latter event, the securities may be valued at market.~~

#### **RULE C.2.52 CONDITIONS FOR CONNECTIONS**

(1) A Member may ~~transmit~~ permit orders received electronically from a third party to which it has granted electronic access in accordance with Rule C.2.51 to be transmitted ~~an eligible client directly~~ to the trading system of the Exchange provided that the Member ~~has~~:

(a) ~~has~~ is obtained prior written approval of the Exchange that the system of the Member is permitted to transmit orders to the Exchange ~~meets the prescribed conditions~~;

(b) has ensured its system is subject to an executed standard agreement with the Exchange governing the connection between the system of the Member and the trading system of the Exchange;

~~(b) (c) obtained prior written approval of the Exchange for a standard form of agreement containing the prescribed conditions to be entered into between the Member and an eligible client and the Member has entered into an agreement in such form with the eligible client~~ complies with Canadian regulatory requirements governing the provision of third party electronic access to marketplaces; and

~~(c) (d)~~ ensures that its system supports compliance with Exchange Requirements dealing with the entry and trading of orders by all third parties who have been provided with electronic access to the Exchange (for example, it must support all valid order information that may be required, including designation of short sales);

~~(e)~~ ensures security of access to its system such that only persons authorized by the Member are provided access to the Exchange; and

~~(f)~~ designates a specific person as being responsible for the system of the Member used to transmit orders.

~~met such other requirements as prescribed in Rule C.2.52(4).~~

~~(2) These orders can be transmitted through the infrastructure of a Member or through a third-party system contracted by the Member and approved by the Exchange. The system of the Member includes any system through which an order designated with the Member identifier is~~

transmitted to the Exchange, including without limitation, the technology systems of the Member, the approved technology system of a service provider retained by the Member, or an approved system that the Member permits the third party access client to transmit orders through to the Exchange.

~~(2) System Requirements~~

~~For the purposes of Rule C.2.52(1)(a), the system of the Member is required to:~~

- ~~(a) support compliance with Exchange Requirements dealing with the entry and trading of orders by all eligible clients who will have direct access which includes, but is not limited to, the requirement to support all valid order information that may be required, including designation of short sales;~~
- ~~(b) ensure security of access to the system that will only enable persons at the eligible client authorized by the Member to have access to the system;~~
- ~~(c) comply with specific requirements prescribed pursuant to Rule C.2.52, including a facility to receive an immediate report of, or to view on a real time basis, the entry or execution of orders;~~
- ~~(d) enable the Member to employ order parameters or filters (which parameters can be customized for each eligible client on the system) that will reject orders over a certain size or value, or route these orders to the Member's trading desk; and~~
- ~~(e) enable the Member to know, on a real time basis, the identity of an eligible client who has entered an unattributed order.~~

~~(3) Standard Form of Agreement~~

~~For the purposes of Rule C.2.52(1)(b), the agreement between the Member and the client shall provide that:~~

- ~~(a) the eligible client is authorized to connect to the Member's order routing system;~~
- ~~(b) the eligible client shall enter orders in compliance with Exchange Requirements respecting the entry and trading of orders and other applicable regulatory requirements;~~
- ~~(c) specific parameters defining the orders that may be entered by the eligible client are stated, including restriction to specific securities or size of orders;~~
- ~~(d) the Member has the right to reject an order for any reason;~~
- ~~(e) the Member has the right to change or remove an order in the Book and has the right to cancel any trade made by the eligible client for any reason;~~

- ~~(f) the Member has the right to discontinue accepting orders from the eligible client at any time without notice;~~
- ~~(g) the Member agrees to train the eligible client in the Exchange Requirements dealing with the entry and trading of orders and other applicable Exchange Requirements; and~~
- ~~(h) the Member accepts the responsibility to ensure that revisions and updates to Exchange Requirements relating to the entry and trading of orders are promptly communicated to the eligible client.~~

#### ~~(4) Additional Requirements~~

~~For the purposes of Rule C.2.52(1)(c), the following additional requirements shall apply:~~

- ~~(a) Any changes to the standard system interconnect agreement shall be approved by the Exchange in writing before becoming effective.~~
- ~~(b) If required by the terms of the agreement between the eligible client and the Member, the Member shall ensure that its eligible clients are trained in the appropriate Exchange trading rules, as well as the use of the terminal and system. Training materials regarding Exchange trading rules that the Member proposes to use must be reviewed by the Exchange prior to use.~~
- ~~(c) The Member shall have the ability to receive an immediate report of, or to view on a real time basis, the entry or execution of orders. The Member shall have the capability of rejecting orders that do not fall within the designated parameters of authorized orders for a particular client.~~
- ~~(d) The Member shall designate a specific person as being responsible for the system interconnect. Orders executed through system interconnects shall be reviewed for compliance and credit purposes daily by such designated person of the Member.~~
- ~~(e) The Member shall have procedures in place to ensure that only eligible clients use system interconnects and that such eligible clients can comply with Exchange Requirements and other applicable regulatory requirements. The eligibility of eligible clients using system interconnects shall be reviewed at least annually by the Member.~~
- ~~(f) The Member shall make available for review by the Exchange, as required from time to time, copies of the system interconnect agreements between the Member and its eligible clients.~~

#### ~~(5) Order Execution Account Requirements~~

~~If the agreement required by Rule C.2.52(1)(b) is between a Member and a client in respect of an Order Execution Account, the agreement:~~

- ~~(a) may be in written form or be in the form of a written or electronic notice acknowledged by the client prior to the entry of the initial order in respect of such Order Execution Account; and~~

~~(b) may omit provisions that would otherwise be required by Rule C.2.52(3)(c), (g) and (h) if the order routing system of the Member;~~

~~(i) enforces the Exchange Requirements relating to the entry of orders; or~~

~~(ii) routes orders that do not comply with Exchange Requirements relating to the entry of orders to an Approved Trader for review prior to entry to the trading system.~~

## **RULE C.2.53 RESPONSIBILITY OF MEMBERS**

(1) A Member which provides a third party with electronic access to the Exchange in accordance with Rule C.2.51 enters into an agreement with a client to transmit orders received from the client in accordance with Rule C.2.52 shall:

(a) be responsible for compliance with Exchange Requirements with respect to the entry and execution of orders transmitted by each third party eligible customers through the Member; and

(b) provide the Exchange with prior written notification of the individual appointed to be responsible for such compliance;

(c) immediately disclose to the Exchange the unique client identifier associated with each third party electronic access client that is used for the purpose of providing third party electronic access to the Exchange;

(d) inform the Exchange immediately if it knows or has reason to believe that it or its third party electronic access client has or may have breached a material provision of:

(i) the Exchange Requirements; or

(ii) the agreement contemplated by Rule C.2.52(b); and

(e) immediately notify the Exchange if the Member terminates a third party electronic access client's access to the Exchange.

(2) The Exchange may suspend a third party's electronic access to the trading system of the Exchange without notice if it concludes that the third party:

(a) misused the Exchange's trading system or has interfered with fair and orderly markets;

(b) failed to comply or is not in compliance with Exchange Requirements; or

(c) engaged in conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of the Exchange.

(3) A Member must terminate a third party's access to the Exchange's trading system immediately upon receiving notice from the Exchange or IIROC of such required termination and must not reinstate that third party's access to the Exchange's trading system without the Exchange's written approval.

