

Notice to Participating Organizations and Members

August 29, 2014

2014-025

Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) Trading Enhancements

TMX Group is pleased to announce a number of enhancements to the trading functionality of TSX and TSX Venture Exchange.

These enhancements have been approved by the Ontario Securities Commission on August 28, 2014 (<http://www.osc.gov.on.ca/en/21333.htm>). Approval by British Columbia Securities Commission in respect of TSXV is pending.

These changes are scheduled to become effective on December 1st, 2014, and will be available in the Gateway Test Environment (GTE) for external testing on October 1, 2014. Updated FIX and STAMP specifications reflecting these enhancements are now available through the TMX Equity Markets Documentation Portal at <https://www.tcldata.com/tmxequitymarkets/login.cfm>.

The enhancements, as originally proposed, were published for public comment on May 1, 2014 by the Ontario Securities Commission and in PO Notice #2014-016.

1. Market on Close (MOC) Facility – TSX and TSX Venture

The following enhancements were developed based on extensive consultation with industry participants as well as feedback received as part of the Ontario Securities Commission Request for Comments of May 1st 2014.

MOC and Limit-on-Close (LOC) Order Volumes

The board lot volume restriction will be removed for MOC and LOC orders. MOC and LOC orders will be accepted into the MOC order book with board lot, mixed lot and odd lot volumes.

Pre-Imbalance LOC Orders

LOC orders will be accepted into the MOC order book prior to the MOC imbalance broadcast under the following conditions:

- 1) LOC orders will now also be accepted during the following market states: Pre-Open and Post-Open (pre-imbalance LOC orders);
- 2) The price and volume of pre-imbalance LOC orders will not be restricted (i.e. post-imbalance LOC order entry restrictions will not apply);
- 3) Pre-imbalance LOC orders may be modified or cancelled prior to the MOC imbalance broadcast;
- 4) Pre-imbalance LOC orders that did not contribute to the imbalance may be cancelled after the imbalance has been published. Please note that this differs from the May 1st 2014 original proposal, and was changed based on the feedback received during the comment period.

MOC Imbalance Determination

The MOC imbalance calculation will be modified to take into account pre-imbalance LOC orders. In addition to MOC orders, LOC orders that are priced equal to or more aggressive than the TSX or TSXV Best-Bid-and-Offer (BBO) mid-point at the time of the calculation will be considered when determining the MOC imbalance. The imbalance side and size will be determined as the difference between the aggregate eligible buy MOC/LOC volume and aggregate eligible sell MOC/LOC volume.

MOC Imbalance Message

A single MOC imbalance message will continue to be disseminated for each MOC eligible symbol. Included in the imbalance message will be the TSX/TSXV BBO midpoint price which was used to determine which LOC orders were to be included in the MOC imbalance calculation.

2. New Self-Trade Prevention Features – TSX and TSX Venture

To aid participants and members to comply with their regulatory obligation to prevent wash trades, TSX and TSX Venture will be introducing the following Self Trade Prevention features to complement the “Cancel Newest” Self Trade prevention feature currently available.

Cancel Oldest Self-Trade Prevention

The Cancel Oldest self-trade prevention instruction will prevent an incoming order from executing against a passive order from the same broker with a self-trade prevention instruction and matching self-trade keys. The passive order will be cancelled and the active order will trade up or down to its limit, booking any remaining volume if eligible.

Decrement Largest and Cancel Smallest Self-Trade Prevention

The Decrement Largest and Cancel Smallest self-trade prevention instruction will prevent an incoming order from executing against a passive order from the same broker with a self-trade prevention instruction and matching self-trade keys. If both orders are equivalent size, both orders will be cancelled. If orders are not equivalent in size, the smaller order will be cancelled and the larger order will be decremented by the size of the smaller order. If the larger order was passive, the remaining volume will continue to rest in the book; if the larger order was active, the balance of the order will trade up or down to its limit, booking any remaining volume if eligible.

Self-Trade Management Order Feature

The Self-trade Management instruction will permit an incoming order to execute with a passive order from the same broker with a self-trade management instruction and matching self-trade keys, however this trade will be suppressed from the public feed. Self-trade management applies only to unintentional self-trading and thereby does not affect the current handling of Crosses. The unique trading key provided by the participant 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 ownership.

3. Specialty Priced Crosses - TSX

Specialty priced crosses (Basis, Contingent, STS, VWAP) will be accepted with mixed lot and odd lot volumes. Contingent crosses with mixed lot volumes will be permitted to establish a last sale price in the same manner as a board lot contingent cross.

4. Intention to Withdraw the Proposed Change to Decrease the Minimum Volume Required for the Minimum Quantity Instruction on Dark Midpoint Orders

On May 1, 2014 comments were requested on a proposed change to decrease the minimum volume required for the Minimum Quantity instruction available on Dark Midpoint orders from 20 to 5 board lots.

As a result of the comments received and subsequent client consultation we intend to withdraw the proposed change. The minimum volume required for the Minimum Quantity Instruction will remain 20 board lots.

As an appendix to this notice is an updated MOC FAQ which reflects the changes to the MOC facilities on TSX and TSX Venture.

For questions or additional information regarding these enhancements please contact TMX Market Operations at (416) 947-4705, or 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>.

A French version of this notice is available on our web site at www.tmx.com. Une version française de cet avis est disponible sur notre site Web à l'adresse www.tmx.com.

FAQ

FREQUENTLY ASKED QUESTIONS

Market on Close a facility of TMX Markets for handling MOC orders.

1. WHY DID TMX MARKETS IMPLEMENT A MARKET ON CLOSE (MOC) FACILITY?

TMX Markets implemented a MOC facility to:

- provide equal access and opportunity in setting the closing price;
- reduce volatility at the close;
- guarantee anonymity of broker numbers and volumes in the close.

2. WHO CAN USE MOC?

MOC is accessible to all Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV) Participants and Sponsored Direct Access Participants.

3. DOES MY TRADE STATION SUPPORT MOC FUNCTIONALITY?

All trade station functionality questions should be directed to your trade station vendor.

4. DO I HAVE TO USE THE MOC FACILITY?

No. The use of the MOC facility is voluntary.

5. WHAT STOCKS PARTICIPATE IN THE MOC FACILITY?

All TSX listed equities and ETPs (which include ETFs, ETNs and ETRs) are eligible for the TSX MOC Facility. Currently TSX Venture MOC eligibility is restricted to constituents the S&P/TSX Venture Select Index.

6. WHAT KIND OF ORDERS CAN I PUT INTO THE MOC BOOK?

MOC market orders and limit orders can be entered into the MOC book with board lot, mixed lot and odd lot volumes, subject to restrictions (see question below).

7. WHEN CAN I PUT MY ORDERS INTO THE MOC BOOK?

MOC market and MOC limit orders can be entered into the MOC book from 7:00 a.m. to 3:40 p.m. Once the MOC Imbalance is published offsetting MOC limit orders can be entered into the MOC book on the opposite side of the imbalance (if the symbol has an imbalance) between 3:40 p.m. and 4:00 p.m. and potentially 4:00 p.m. to 4:10 p.m. (if the price movement extension is invoked).

8. IS THERE A MINIMUM ORDER SIZE?

No, MOC market and MOC Limit orders may be entered with board lot, mixed and odd lot volumes.

9. CAN I CANCEL OR CHANGE FORMER ORDER (CFO) MY MOC ORDERS?

Prior to 3:40p.m, MOC market and MOC limit orders can be cancelled or modified. Between 3:40-4:00pm MOC market and MOC limit orders that contributed to the MOC imbalance may not be cancelled or modified. MOC limit orders that did not contribute to the imbalance and offsetting MOC limit orders may be cancelled. Between 4:00 p.m. and 4:10 p.m. (PME), MOC market and MOC limit orders cannot be cancelled or modified.

10. CAN I ENTER AN ANONYMOUS MOC ORDER?

Yes.

11. WHEN IS THE LAST POSSIBLE TIME THAT I CAN PLACE A MOC MARKET ORDER?

You may enter a Buy, Sell, CFO, or cancel MOC order up to 3:40 p.m. At 3:40 p.m. the MOC book is locked for MOC market orders.

12. DO YOU PUBLISH A MOC IMBALANCE?

A MOC imbalance is calculated and published to the trading community at 3:40 p.m and contains the imbalance side, volume and TSX or TSXV Best-Bid-and-Offer (BBO) mid-point for each MOC eligible symbol.

13. HOW IS THE MOC IMBALANCE CALCULATED?

MOC market orders and MOC limit orders that are priced equal to or more aggressive than the TSX or TSXV Best-Bid-and-Offer (BBO) mid-point at the time of the calculation will be considered when determining the MOC imbalance. Of these eligible orders the MOC imbalance will be the difference between the buy and sell MOC market and MOC limit order's aggregate volume.

14. HOW IS THE MOC IMBALANCE PUBLISHED?

TMX Markets disseminates MOC imbalance information at 3:40 p.m. and price movement extension information at 4:00 p.m. on TMX.com and via the following data feeds: TBF, TL1, TL2, CBF, CL1, CL2 and the TSX and TSX Venture Level 1 and Level 2 QuantumFeeds.

15. WHY ARE ONLY OFFSETTING ORDERS ALLOWED DURING THE IMBALANCE BROADCAST AND BLIND OFFSET SESSION?

This session is intended to solicit offsetting liquidity. Limit orders force market participants to enter their best price, thereby promoting price discovery.

16. WILL THE OFFSETTING MOC LIMIT ORDERS RESULT IN AN IMBALANCE TO BE UPDATED AND REBROADCAST?

No. Offsetting real-time as offsetting orders entered into the MOC book have a limit price that may or may not trade when the books are combined and therefore do not change the imbalance.

17. I TRIED TO ENTER AN OFFSETTING LIMIT ORDER AT 3:45 P.M. BUT THE ORDER WAS REJECTED. WHY DID THIS HAPPEN?

Check your order's volume and price. The MOC book will only accept offsetting MOC limit orders that are equal to or less than the posted imbalance with a price that is within of the preceding last board-lot sale price by:

- +/- 3% on TSX
- +/- 5% on TSXV
- +/- 1% on ETFs

18. HOW DO YOU CURB VOLATILITY AT THE CLOSE?

There are several ways that we try to mitigate volatility at the close:

- Hidden closing book
- Blind closing auction
- Price volatility parameters

19. WHY USE A CLOSING AUCTION TO SET THE CLOSING PRICE?

A closing auction provides all market participants with an opportunity to participate in setting the closing price.

20. HOW DOES THE CLOSING PRICE GET CALCULATED?

The Calculated Closing Price (CCP) will be derived from similar logic used at the opening (i.e. the price at which the most shares trade; leaving the least imbalance and closest to the last sale.)

21. WHY IS THERE A VOLATILITY PARAMETER AT THE CLOSE?

A price volatility parameter prevents unexpected closing prices by alerting participants to provide additional liquidity.

22. WHAT IS THE PRICE MOVEMENT EXTENSION?

A price movement extension provides the market with a ten-minute opportunity to react to significant movement in the closing price.

23. WHAT CONDITIONS WILL RESULT IN THE PRICE MOVEMENT EXTENSION?

A price movement extension will be invoked when the CCP is greater than a +/-3% on TSX, +/- 5% on TSXV and 1% for ETFs (price volatility parameter) variance from both the VWAP of the last 20 minutes of regular market trading and the last board-lot sale price from the continuous market.

24. HOW LONG DOES THE PRICE MOVEMENT EXTENSION LAST?

The price movement extension provides an additional 10-minute period for entry of offsetting MOC limit orders.

25. WHY HIDE THE BOOK BETWEEN 4:00 P.M. AND 4:10 P.M.?

A hidden book ensures market participants react to the CCP rather than to "who" is in the book and for "how much".

26. WHY DON'T YOU ACCEPT ORDERS ON BOTH SIDES OF THE MARKET BETWEEN 4:00 P.M. AND 4:10 P.M. RATHER THAN OFFSETTING ONLY?

The 4:00 p.m. to 4:10 p.m. session is intended to solicit new liquidity to offset the posted imbalance. It also prevents the imbalance from "flipping" sides.

27. CAN THE MOC IMBALANCE FLIP SIDES?

Given that only one imbalance message is published, the MOC imbalance cannot flip sides, however an oversupply of offsetting LOC orders can result in a closing price opposite to what the published imbalance would indicate.

28. WHAT IF THE MOC BOOK IS BALANCED OR THERE ARE NO MOC MARKET ORDERS AT 3:40 P.M.?

If the MOC book is balanced, or there are no MOC balanced orders at 3:40 p.m., the stock will close at the last board-lot sale price. MOC orders will be matched at this price.

29. WHAT IS THE CLOSING PRICE ACCEPTANCE (CPA) PARAMETER?

The Closing Price Acceptance parameter is used to determine whether or not the CCP at the end of the price movement extension is acceptable. The CPA will allow a 10% on TSX, 15% on TSXV and 1% for ETFs range off of the VWAP of the last 20 minutes of regular market trading and the last board-lot sale price from the continuous market.

30. WHAT HAPPENS IF THE CCP EXCEEDS THE CLOSING PRICE ACCEPTANCE PARAMETER?

In the event that a stock goes into Price Movement Extension and at the end of that period has a Calculated Closing Price (CCP) exceeds the CPA, the CCP will be set at the most aggressive price as necessary without exceeding the CPA parameter. All tradeable orders up to the new CCP value will be matched.

31. ARE MOC ORDERS GUARANTEED A FILL?

No. MOC orders are not guaranteed a fill. However, the wide price movement extension and closing price acceptance parameters provide the marketplace with considerable leeway in determining a closing price that will fill the MOC imbalance completely.

32. WHAT WILL CAUSE A MOC SESSION TO BE CANCELLED?

There are two situations that will result in a failed MOC:

- Regulatory halt;
- Technical/System halt.

For further information please contact your TSX Markets Account Manager 416 947-4462 or account_services@tsxmarkets.com