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EQUITIES TRADING NOTICE

Equity Trading Notice
2016 – 022

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Q4 2016 TRADING ENHANCEMENTS

Toronto Stock Exchange, TSX Venture Exchange, TSX Alpha Exchange

TMX Group is pleased to announce details pertaining to a number of enhancements to the trading functionality of Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and TSX Alpha Exchange (TSXA).

Below is a summary of the various changes scheduled to become effective on November 21, 2016 and made available in our Gateway Testing Environment (GTE) on September 23, 2016:

Updated order entry and feed specifications reflecting these enhancements are now available through the TMX Equity Markets Documentation Portal at
https://www.tcbdata.com/tmxequitymarkets/login.cfm

An updated Order Type and Functionality Guide will also be published in the coming weeks to reflect these changes where necessary.

Market On Close (MOC) Enhancements*
subject to regulatory approval

The following changes are applicable to TSX and TSXV. Updated MOC Product Documentation will be published in the coming weeks to reflect these changes.

Feature	Description
MOC PME Imbalance Determination	The MOC PME imbalance calculation will be modified to operate similarly to the MOC imbalance calculation at 3:40 p.m. but will use the TSX (or TSXV) last sale price as the reference price instead of the midpoint of the TSX (or TSXV) BBO. Consistent with the functionality of the existing MOC imbalance calculation, MOC market orders ("MOC" orders) and MOC limit on close ("LOC") orders that are included as part of the PME imbalance calculation may not be modified or cancelled after the publication of the PME imbalance message. In addition to MOC orders, LOC orders that are priced equal to or more aggressive than the TSX (or TSXV) last sale price 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.
PME Parameters	For purposes of determining whether to invoke the PME, the PME range will be modified to take into consideration five (5) trading increments from the symbol's last sale price. The PME range will now be defined as the lesser (lower) or greater (higher) of either (i) five trading increments or (ii) the PME percentage 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. This will address issues related to lower priced MOC eligible securities.
MOC Imbalance Message	An additional MOC imbalance message, following the existing imbalance message structure, will be generated for symbols where a PME is triggered at 4 p.m.
Entry of offsetting orders during a Price Movement Extension	Only LOC orders will be accepted during a PME. The order side will be restricted to the opposite side of the imbalance (i.e., if there is a buy imbalance, only sell orders will be accepted) and the price must be at or within the Closing Price Acceptance ("CPA") upper and lower bands. Offsetting orders entered during a PME may be cancelled.

CPA Parameter	The CPA parameter is used to determine whether or not the Calculated Closing Price ("CCP") at the end of the PME is acceptable. The existing CPA parameter will allow a 10% variance on either side of the VWAP on TSX of the last 20 minutes of regular market trading and the last board-lot sale price from the continuous market. The CPA parameter will be changed such that the most aggressive limit accepted on an order submitted opposite the imbalance is not more aggressive than the last sale price established in the continuous session. For example, the CPA parameter for a TSX symbol that moved into a PME with a buy side imbalance would be between +10% (off of the VWAP of the last 20 minutes of regular market trading and the last board-lot sale price) and the last sale price from the continuous market. (Please note that the TSXV CPA parameters are 15% and last sale price).

Introduction of Post Only Dark Orders*
*subject to regulatory approval

The Post Only order feature will be extended for use on both dark mid-point and dark limit orders for TSX and TSXV. Details were included in the [TSX Notice of Proposed Change and Request for Comment](#) published on July 7, 2016.

Feature	Description
Post Only Dark Order	The Post Only order feature on a dark limit order type will kill the order immediately on entry if any part of the order is immediately executable with a visible order during continuous trading. If on entry the dark Post Only limit order is immediately executable with a contra-side dark order, the dark Post Only limit order will book at its limit price. The Post Only order feature on a dark midpoint order type will book the order at the Protected NBBO midpoint subject to its limit price if immediately executable upon entry. Dark orders that are re-priced due to quote changes will never take the active side of a trade if they are tagged as post only. As indicated by the above, two contra-side Post Only dark orders that are eligible to match based on price will not execute. Instead, both will maintain their price until executing against an active order. In addition, no execution will take place between a resting dark limit order and an incoming contra-order marked Post Only with the same price as the resting order. Instead, both orders will sit in the book at the locked price and will not execute against each other unless the first resting dark limit order is CFO'd by the trader and becomes a new order in accordance with existing TSX CFO handling procedures. In the scenario where the first dark resting order referred to above is instead a non-Post Only midpoint order, it will only execute actively when a Protected NBBO repricing causes it to become more aggressively priced.

IIROC Marketplace Thresholds*
*subject to regulatory filing and review processes

TMX marketplaces will implement changes to support the Marketplace Threshold guidance set forth by IIROC requiring the establishment and operation of price thresholds by all Canadian marketplaces to further reduce short-term, unexplained price volatility. (http://www.iiroc.ca/Documents/Marketplace%20Thresholds%20August%202015%20NR_EN.pdf)

This approach will replace the existing freeze functionality on TSX, TSXV and TSX Alpha.

Further details related to TMX's implementation of Marketplace Thresholds will be available in the updated Order Type and Functionality Guide.

Feature	Description
Price Volatility Thresholds	When a trade would execute at a price that exceeds a marketplace threshold, the incoming active order will be treated in one of two ways: • The order (or remainder of the order, if partially filled) will be killed via a Cancel execution report, with an informative message in the [58] Text field. This will be the default behavior. • The order (or remainder of the order) will be booked at the threshold price, or one trading increment away from the opposite side of the NBBO, whichever is less aggressive. This will trigger a restatement execution message to the order entry session. The above behaviour will be controlled via a new optional TSXPriceBandInst field on the order entry messages. (Note: this option will not be available for crosses).

Miscellaneous Enhancements

Feature	Description
Intentional Crosses	A new public identifier will be published on the market data feeds to identify Intentional Crosses
Self-Trade Management	Mixed and oddlot volumes will be allowed on Self Trade Management orders – applies to NM (Cancel Newest) / EM (Execute Match and Suppress) / OM (Cancel Oldest). Self-Trade Management will only apply to the boardlot portion of the order.
Iceberg Orders	Undisclosed Traded Volume for Icebergs will be included on FIX Execution Reports. This is an existing private tag which is disseminated on the Broadcast Feeds only. (Encrypted) Add tag 1138 (DisplayQty) on iceberg order FIX Execution Reports. Tag 111 (MaxFloor) will now only represent the maximum display quantity. (Encrypted)
End of Day Trading Reports	The Jitney PO Number will be added to the end of day trading reports
New Pass Through Tag	A new Pass-through tag allowed on order entry and echoed back on FIX execution reports as well as all applicable Broadcast feed messages. (Encrypted)
Cancel On Disconnect	Cancel On Disconnect (COD) will now exclude MOC orders from being canceled when COD is triggered

Price Assigned / Restatement Messages	Price Assigned or Restatement messages will now be disseminated when:
	   a. There is a change in the Limit Price on the unfilled balance of a Better Priced Iceberg order in an opening auction
	   b. The order is repriced due to the Order Protection Rule (OPR)
	   c. The order is repriced due to breach of a marketplace threshold price band

Odd Lots	Odd lot matching functionality will now be suspended during a locked or crossed NBBO

For additional information regarding this announcement, please contact the Account Management Team.

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