

May 31, 2019  
2019-023

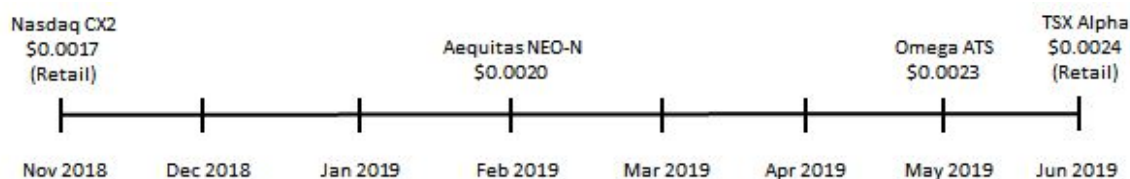


# TMX Equities Trading Notice

## TSX Proposes Cap on Active Rebates to Promote Balance

Competition amongst inverted marketplaces has resulted in the recent escalation in the level of active rebates and passive fees shown below.

Highest Active Rebates on Inverted Markets for TSX-listed equities priced \$1 and over



As rebate and fee levels on inverted markets rise, so do industry concerns regarding the potential for the increased segmentation of cost-sensitive retail active order flow (which receives a rebate) away from natural resting orders that might also be sensitive to paying fees to post.

We appreciate these concerns and acknowledge that TSX Alpha Exchange has also played a role in the recent escalation.

As marketplace operators, we compete and will continue to compete for order flow. So will our competitors. As a result, we should expect that a further escalation of inverted active rebates is possible, further exacerbating the concerns about segmentation that have been raised by

industry and that are reflected in the recent joint CSA and IIROC [consultation paper](#) on internalization.

**We therefore believe that it may now be time to consider the application of a cap on active rebates to help mitigate these concerns and promote a better balance between the varied interests and needs of our participants and their clients.**

Our proposal is for a cap on active rebates to be set at a level that is reasonably reflective of active rebate levels prior to the most recent competitive escalation – i.e., within the range of \$0.0010 to \$0.0017 per share. Setting a cap on active rebates at this level would help to better balance between the cost reduction benefits of active rebates and the costs for natural liquidity providing orders to participate against that flow. It would also continue to allow marketplaces a reasonable degree of room to compete and continue to provide differentiated offerings to their diverse client base.

If the implementation of a cap via regulation cannot be achieved within a reasonable timeframe, we plan to take the lead by calling together all marketplaces to discuss voluntary approaches to address the concerns.

We look forward to further engaging with our participants, clients and other stakeholders on this important topic.

For more information regarding this notice, please contact the [Account Management Team](#).

Philip Cox	(416) 947-4752
Paul Dimtsis	(416) 947-4335
Laura Hanschke	(416) 947-4569
Pete Osborne	+44 7555 690 996
Jon Schneider	(416) 947-4484
Michael Tintinaglia	(416) 947-6679