

# Notice to Participating Organizations and Members



May 5, 2009

2009-024

## Introduction of the Bypass Order

Effective June 1, 2009 a single-sided bypass order will be available for Toronto Stock Exchange ("TSX") and TSX Venture Exchange ("TSXV") listed symbols that will enable trading customers to choose to execute against passive disclosed volume orders while bypassing all undisclosed volume of passive iceberg orders, Registered Trader participation and any Registered Trader MGF boardlot obligations. The introduction of the bypass order assists Participating Organizations and Members in meeting their best price obligations under the Universal Market Integrity Rules (UMIR) by executing against only the disclosed volume on TSX/TSXV before or at the time the Participant executes at an inferior price.

Please refer to IIROC's Rules Guidance Notice 09-0128 – "Specific questions related to the use of the Bypass Order Marker" dated May 1, 2009 for more information on the use of the bypass order marker under UMIR. The IIROC notice can be located through the following link:

<http://www.iiroc.ca/English/NewsRoom/Pages/IIROCNotices.aspx>

The bypass order functionality will be available in the GTE environment on or about May 15<sup>th</sup> 2009.

## **Bypass Cross - Reminder of Existing Functionality**

The introduction of the bypass order on June 1<sup>st</sup> 2009 accompanies the bypass cross functionality that is currently available for TSX and TSXV symbols. As originally outlined in PO Notice #2008-053 dated December 3, 2008, the bypass cross, including the supporting bypass order marker, was implemented on January 19<sup>th</sup> 2009 to facilitate the entry of IIROC's "Designated Trade". The TSX/ TSXV version is a cross that will trade intact even when outside the current TSX/TSXV bid/ask without setting the last sale price and without rejecting or cross interference.

## **Bypass Order Functionality**

The new single-sided TSX/ TSXV bypass order is a buy or sell (that can be short or short exempt) marked "bypass" which will fill only against visible volume at each price level (does not interact with undisclosed iceberg volume or Registered Trader participation or Registered Trader MGF obligation). Specifically the TSX /TSXV single-sided bypass order will function as follows:

- must be marked IOC
- must have a limit price
- must have a boardlot volume
- order entry will only be allowed during the regular trading session (currently 9:30AM-4:00PM)
- exempt from the bid/ask limit parameters
- subject to existing freeze parameters
- single-sided bypass orders marked short but not short exempt will be re-priced by to prevent violation of the short-sale tick rule
- single-sided bypass orders marked short exempt will be treated like a long sell (no short sale tick rule)
- each trade generated by a single-sided bypass order will set the last sale price for all purposes including the short sale tick rule
- a bypass cross must be entered separately from a single-sided bypass order

- a bypass cross trade that is executed either before or after the bypass order will not set the last sale price for any purposes including the short sale tick rule

### **Bypass Marker Tag**

The bypass marker is an optional public marker appearing on orders, fills and trades to support both the single-sided bypass order and bypass cross. The table below provides the tag details for all relevant TSX/TSXV order entry sessions and data feeds:

FIX	STAMP	TBF/CBF	TL2/CL23
Tag 6791, Bypass = "Y" / "N", default = "N"	Tag 503, Bypass = "Y" / "N", default = "N"	Tag 503, Bypass = "Y" / "N"	Tag 503, Bypass = "Y" / "N"

The above information was published in STAMP (version 5.01) and FIX (version 2.01) release notes on September 9, 2008 and referred to in PO Notice # 2008-051.

Please contact your TMX Account Manager with any questions or requests for more information related to the TSX/TSXV bypass cross or bypass order.

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### **About TMX Group (TSX-X)**

TMX Group's key subsidiaries operate cash and derivative markets for multiple asset classes including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange, Natural Gas Exchange, Boston Options Exchange (BOX), Shorcan, Equicom and other TMX Group companies provide trading markets, clearing facilities, data products and other services to the global financial community. TMX Group is headquartered in Toronto with offices in Montreal, Calgary and Vancouver. For more information about TMX Group, visit our website at [www.tsx.com](http://www.tsx.com).

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