

# Notice to Participating Organizations and Members

July 29, 2010

2010-025

## **TSX/TSX Venture Order Protection Rule Features and TSX Market Maker Functionality STAMP/FIX Specification Changes**

This notice is to provide further details related to the TSX/TSXV Order Protection Rule features, and to notify Participants of enhancements to TSX Market Making functionality. Please note that updated STAMP and FIX specifications which include all protocol changes related to these enhancements are now available.

### **Order Protection Rule Features**

On April 7, 2010, PO Notice # 2010-010 was published outlining TMX's Order Protection Rule (OPR) implementation plans. TMX is pleased to announce the inclusion of an additional OPR "reprice" feature as part of the full suite of OPR features being supported, offering customers the broadest choice of OPR options among all domestic trading venues. These features will enable customers to direct order flow to Toronto Stock Exchange and TSX Venture Exchange without risk of trade through, quote locking, or quote crossing. These new features complement TSX's existing Smart Order Router by providing automated choices to prevent route-outs when desired, and reduce the complexity of market fragmentation for customers sensitive to increasing costs of ATS routing, execution and access.

Toronto Stock Exchange and TSX Venture Exchange Order Protection Rule (OPR) options are as follows:

**1. (Default) Ignore OPR for TSX Directed Action Orders (DAO)**

The private DAO marker is an implicit or explicit order instruction. DAO is implied if no specific OPR instructions were provided or if the explicit DAO marker was provided (customer's choice). DAO orders will trade or book at TSX/TSXV without any attempt to protect better-priced orders on away markets. By choosing DAO (implicitly or explicitly) the sender assumes OPR responsibility on DAO orders.

**2. Uphold OPR with TSX order reprice**

The private reprice marker is an explicit order instruction. Orders designated as "OPR reprice" will prevent OPR violations by only allowing trades at or better than the away market's best price before adjusting the remainder to the most aggressive price level allowed based on the away market's best price. Current rules prevent quote locking so these orders will be repriced one tick from the away market's best price.

**3. Uphold OPR with TSX order cancel**

Orders designated as "OPR cancel" will prevent OPR violations by only allowing trading at or better than the away market's best price before cancelling back the remainder to prevent trading or quoting at price levels prevented by the away market's best price.

**4. Uphold OPR with route out (currently in production)**

TSX will continue to protect orders for TSX Smart Order Router (SOR) subscribers where TSX SOR orders are routed to away markets with better-priced orders.

## **Market Maker Changes**

Changes to the message protocol to protect and support existing TSX Registered Trader Market Maker ("RT") functionality are also being made. These changes include having all orders default to non-MGF eligible, and removing the RT participation tag from the public view. Please refer to the technical details section below for a summary of these changes.

## **Overview of STAMP/FIX Specification Changes**

| <b>Feature</b>  | <b>Changes to STAMP<br/>Order<br/>and TBF/CBF<br/>(encrypted)</b> | <b>Changes to FIX<br/>Order Entry</b> |
|---|---|---------------------------------------|
| <b>ORDER PROTECTION RULE CHANGES</b>  |   |                                       |
| <b>DAO</b> (Default): The exchange does not prevent trade-throughs or locked markets.   | 596=1 (default)   | 21=1 (default)                        |
| <b>RePrice</b> : The exchange will prevent trade-throughs and locked markets by adjusting the price and booking the order, once booked it remains static at that price  | 596=6   | 21=6                                  |
| <b>Cancel</b> : The exchange will kill or cancel any portion of the incoming order that would trade through or lock an away market.   | 596=5   | 21=5                                  |
| <b>TSX SOR</b> : Participants/Members can elect to send orders to the TSX Smart Order Router (SOR) to have the Exchange route orders to other marketplaces with better-priced orders. This service will be available to orders sent to the TSX SOR through standard SOR connectivity.             | N/A   | N/A                                   |
| <b>MARKET MAKER CHANGES</b>   |   |                                       |
| <b>MGF = N (default)</b> : the MGF setting will now default to N (No) instead of Y (Yes) to protect participants from unintentionally accessing the RT MGF facility and incurring the MGF trade cancellation fee.   | 30=N (default)  | 6759=N (default)                      |
| <b>RT Participation change from displayed to nondisplayed</b> : To prevent public signalling of the RT's trading intentions the RT participation on/off setting will be removed from public view. Control of the undisclosed setting will be reset automatically to Off at the start of each day. | 166, 167 (tags now encrypted on TBF)                              |                                       |

The DAO, OPR Reprice, OPR Cancel, and Market Maker changes are expected to be available for external testing in the GTE environment September 1<sup>st</sup> 2010. The production launch date for these enhancements is planned for November 2010, subject to readiness of vendors and Participants. A confirmed production date will be communicated in a subsequent notice once finalized.

For additional information or questions related to these features please contact your TSX Account Manager or by email at [trading\\_sales@tsx.com](mailto:trading_sales@tsx.com):

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

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