

Notice to Participating Organizations and Members

September 27, 2010

2010-030

New Non-Displayed Order Types

TMX is pleased to introduce non-displayed mid-point and non-displayed limit order types on TSX and TSX Venture Exchange. These "dark" orders will be fully integrated into the existing order book on each Exchange, meaning these new non-displayed orders will interact and trade with visible as well as other non-displayed orders.

Integrating non-displayed liquidity with Canada's most extensive displayed order book in a manner that preserves the fairness and integrity of the market provides tremendous benefits to market participants by providing additional trade execution choices, meaningful price improvement opportunities, and valuable liquidity-seeking opportunities.

This notice is intended to provide a summary of the new non-displayed order features planned for release to the customer test environment (GTE) in November 2010. Production launch details, including fees associated with these new order types, will be provided at a later date through another notice.

Non-displayed mid-point orders:

Non-displayed mid-point orders are pegged to execute at the floating mid-point of the CBBO (Canadian Best Bid/Offer) with an optional 'cap' limit price, and will function as follows:

- Mid-point orders will only execute at the CBBO mid-point.
- If the floating mid-point is beyond the range of the optional cap limit price the mid-point order will not execute but instead will remain queued retaining priority.
- When the mid-point floats back within range of the order's cap price, the order will become executable again and maintain its previous time priority.
- Mid-point orders are not executable when the CBBO is locked or crossed.
- Mid-point rounded and non-rounded prices will both be reported publicly. A mid-point execution can result in a price per share ending in ½ of one cent, in which case the reported Last Sale Price will always round up to a full cent, but the reported trade price for clearing/settlement will always be the non-rounded price.

EXAMPLE: Mid-point rounding

Order to Buy 500 @ CBBO mid-point, undisclosed:

- CBBO=\$10-\$10.05, therefore CBBO mid-point=\$10.025
- TSX executes the hidden order at \$10.025
- Rounded reported price (for short sale tick test) is \$10.03
- Non-rounded reported price (for clearing/settling) is \$10.025
- Both the rounded and non-rounded price are reported publicly on the TSX trade report

Non-displayed limit priced orders:

Non-displayed limit orders are entered with a full tick limit price, or a market price in which case TSX/TSXV assigns a limit price based on existing TSX/TSXV bid/ask tick limits. TSX/TSXV automatically protects these orders from unintentional trade-throughs by only executing these orders at prices at or inside the ATS best bid/offer.

EXAMPLE: Non-displayed limit order trade through protection

Order to Buy 500 @ \$10.15, volume undisclosed:

- If the ATS best offer is \$10.10, the most aggressive hidden bid on TSX/TSXV allowed by UMIR is \$10.10 (equal to the ATS best offer)
- The hidden order is booked at \$10.10 for potential execution
- If the NBO changes such that a more aggressive price is possible TSX will adjust the executable price of the hidden bid upwards, subject to the order's original limit of \$10.15

Both of these new order types will execute against non-displayed, partially displayed (i.e. iceberg orders) and regular displayed orders as follows:

- TSX/TSXV will apply its standard allocation formula (price/time with broker matching)
- Non-displayed orders at a given price level will only execute AFTER all displayed/partially displayed orders
- Market Makers will NOT be required to guarantee MGF or Odd Lot Fills at non-displayed prices, nor will Market Maker Participation fills be received at non-displayed prices
- TSX/TSXV will continue to protect the TSX/TSXV order book from unnecessary volatility by continuing to apply the existing bid/ask tick limits to all booked orders, including these new order types

Summary of technical changes

Feature	FIX OE	STAMP OE	Toronto Broadcast Feed
Non-displayed Marker	TSXUndisplayed (7726)=Y Indicates the order is completely non-displayed	Undisplayed (604)=Y Indicates the order is completely non-displayed	Undisplayed (604) added to private content AcceptUndisplayed (605)=Y (This appears on the stock status message as "Y" for stocks when non-displayed orders are enabled and "N" when disabled)
Non-displayed Limit/Market Mid-point	TSXPegType (7723)=M Indicates order is priced at the National Best Bid/Offer mid-point Order must be either market Priced Ordtype (40)=1 or Price (44)=numeric (must be a valid full tick price)	PegType (597)=M Indicates order is priced at the National Best Bid/Offer mid-point Price must be either market numeric (must be a valid full tick price)	LastSale (114)=the rounded price on the TradeReport Price (41)=the non-rounded price on the TradeReport PegType (597) added to private content
Non-displayed Limit/Market	Order must be either market Priced Ordtype (40)=1 or Price (44)=numeric (must be a valid full tick price)	Price must be either market numeric (must be a valid full tick price)	

Updated STAMP and FIX specifications detailing the protocol changes associated with these new order types are now available and can be requested through Vendor Services at (416) 947-4705.

Future enhancements planned for non-displayed orders

Additional features and enhancements are planned for early 2011 to provide additional value to customers using TSX/TSXV non-displayed orders, including:

- The ability to specify a minimum fill size for non-displayed orders. This feature will assist with reducing market impact for large-sized orders, and facilitate the execution of blocks.
- New public order numbers will be generated every time an iceberg 'reloads' and every time a hidden order receives a new passive fill. This feature will reduce information leakage by masking the pattern of fills for any given iceberg order and any given non-displayed order.
- Mid-points will be enabled on stocks trading under fifty cents (trading in half-cent increments) requiring additional full tick upwards rounding of trades to four decimal places since the mid-point price on a stock trading in half pennies can be $\frac{1}{4}$ of one cent.

Further information regarding these additional enhancements will be published at a later date.

For additional information or questions related to this notice please contact your TSX Account Manager or by email at trading_sales@tsx.com:

Andrew Grovestine	(416) 947-4798
Michael Taylor	(416) 947-4313
Monika Marcziova	(416) 947-4534
Olga Trofimova	(416) 947-4355

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.tmx.com.

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.