

Notice to Participating Organizations, Members and Subscribers

June 29, 2012

2012-031

Toronto Stock Exchange, TSX Venture Exchange, TMX Select Trading Enhancements

We are pleased to announce the introduction of a number of trading enhancements in response to client demand and recent regulatory amendments. The enhancements communicated in this notice are scheduled for a production effective date of **October 15, 2012**.

Trading enhancements pertaining to Short Selling and Short Marking Exempt orders

Discontinuing price restrictions of Short Sell orders (tick test)

TSX, TSX Venture Exchange (TSXV) and TMX Select will discontinue constraining short sell orders to the last sale price. Short sell orders will be permitted to trade down to their limit price establishing a last sale price on a down tick. Short crosses will no longer be constrained by the last sale price.

Short Sell Orders

Short sell orders, available on TSX and TSX Venture Exchange, will be permitted to have the following attributes:

- Market priced short sell orders will be accepted in the pre-open session and also when a symbol is halted
- Short sell orders will be accepted with Mixed lot or Odd lot volumes
- Market on Close (MOC) and Limit on Close (LOC) orders may be short sell orders

Short Exempt

Discontinuing short sell price restrictions has rendered the short exempt tag redundant. The short exempt tag will be removed from the order entry and broadcast protocol specifications. The short exempt tag will continue to be accepted on orders however the tag will not be returned on corresponding responses.

Short Marking Exempt

A new Short Marking Exempt tag will be provided to assist traders which employ 'non-directional' trading strategies to designate orders as Short Marking Exempt. The Short Marking Exempt tag will be returned on corresponding responses and will reside in the private layer of feed messages securing the anonymity of the designation. (Please see Appendix A for tag details)

The Short Marking Exempt designation will automatically be added to unsolicited messages resulting from market making/odd lot responsibilities. Impacted unsolicited messages include trades due to odd lot responsibilities, minimum guarantee fills and RT participation.

Trading enhancements pertaining to TSX/TSXV Dark Order types

The recent UMIR rule amendments respecting dark liquidity on Canadian marketplaces will require, subject to certain exceptions, an order entered on a marketplace that trades with an order that is not displayed, to receive minimum price improvement on the execution or be a large order. Minimum price improvement is defined as a half-trading increment on a single tick NBBO spread, or one trading increment on a greater than one tick NBBO spread.

Dark Limit Orders

To ensure compliance with the UMIR amendments, a resting dark limit order will only execute with a small order (≤ 50 board lots and $\leq \$100,000$ in value) if it can offer minimum price improvement. Dark limit orders will continue to execute with large orders at the NBBO. Dark limit orders offering minimum price improvement will be eligible to trade with all incoming order flow irrespective of volume and value.

Dark Midpoint Orders

Dark midpoint orders will be eligible to trade with all incoming order flow as they provide minimum price improvement by executing at the mid point of the NBBO.

Executing Against Dark Liquidity

All orders executing with passive dark liquidity receive a 70% reduction in their active trading fee. To aid clients with calculating their execution costs, any order executing with a passive dark order will have this identified privately in the exchange admin tag, which is returned in fill and trade reports. (Please see Appendix A for tag details)

Dark Post Only *(subject to regulatory approval)*

A trader seeking fee certainty and who does not have a need for immediacy will be able to use this optional feature to post dark orders to execute with incoming liquidity while mitigating his/her transaction costs. The post only order feature on a dark limit order 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 limit order is immediately executable with a resting dark order, the dark limit order will book at its limit price.

The post only order feature on a dark midpoint order will book the order at the 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.

Better Priced Intentional Crosses at Invalid Trading Increments

Intentional crosses on TSX and TSX Venture will be accepted at a fraction of a trading increment if the execution price is a better price for both the order to purchase and the order to sell. On a one tick NBBO spread an intentional cross may be submitted in the current manner, on the bid or offer, however, may also be submitted at the NBBO midpoint price. On a three tick NBBO spread intentional crosses will continue to be accepted on the bid or offer, a valid trading increment in-between the quote and also at a fraction of a trading increment if the price is at least one tick inside the NBB and one tick inside the NBO.

Last Sale Price

Dark midpoint executions and better priced intentional crosses at invalid trading increments will set the last sale price for the symbol. The last sale price will not be rounded when published on the broadcast feed but will display the true execution price.

(Please note: to comply with *UMIR rule 6.1 Entry of Orders to a Marketplace*, orders and intentional crosses entered during the Special Trading session must continue to be submitted at a price which is a valid trading increment)

Trading enhancements pertaining to Market Quality initiatives

The following enhancements are the technical implementation of the rule amendments previously outlined in *PO Notice 2012-010 TSX Trading Rule Amendments Related to Market Making and to Permit Trading of Securities Listed on other Canadian Exchanges*.

Discontinuing the Anti-Scooping Rule

With the changes to Canadian market structure in recent years and greater access to trading technology and real-time market data, the justification for the anti-scooping rule is no longer relevant. As a result, enforcement of the anti-scooping rule will be discontinued on TSX and TSX Venture.

Booked Odd Lot orders

During the continuous trading session market makers/odd lot dealers will fill booked odd lots, which become tradable due to a board lot quote change, at the odd lot's limit price.

Specification Updates

Order entry and feed specifications which reflect the enhanced functionality will be available July 3, 2012 and may be accessed through the TMX Secure Specification portal:

<https://www.tcbdata.com/tmxequitymarkets/login.cfm>

External Testing

The enhancements outlined in this notice will be available in the General Testing Environment (GTE) on August 31, 2012.

For additional information or questions related to the features and functionalities, please contact your TMX Account Manager or by email at trading_sales@tsx.com.

Jeff Foster	(416) 947-4229
Monika Marcziova	(416) 947-4534
Stephanie Orloff	(416) 814-8848
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, TMX Select, Montreal Exchange, Canadian Derivatives Clearing Corporation, Natural Gas Exchange, Boston Options Exchange (BOX), Shorcan, Shorcan Energy Brokers, Equicom and other TMX Group companies provide listing markets, trading markets, clearing facilities, data products and other services to the global financial community. TMX Group is headquartered in Toronto and operates offices across Canada (Montreal, Calgary and Vancouver), in key U.S. markets (New York, Houston, Boston and Chicago) as well as in London and Beijing. For more information about TMX Group, visit our website at www.tmx.com. Follow TMX Group on Twitter at <http://twitter.com/tmxgroup>.

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.

Appendix 1

Summary of Order Entry and Broadcast Feed Specification Updates

Feature	Description	FIX OE	STAMP OE	Broadcast Feed
SME Marker	A private marker for the “Short-Marking Exempt” order designation.	FieldIdentifier = 7729 ; no default ShortMarkingExempt = 0 ; SME = 1 ; Buy Cross SME = 2 ; Sell Cross SME = 3 ; Both Buy and Sell Cross SME	FieldIdentifier = 609 ; no default ShortMarkingExempt = 0 ; SME = 1 ; Buy Cross SME = 2 ; Sell Cross SME = 3 ; Both Buy and Sell Cross SME	FieldIdentifier = 609 ; no default ShortMarkingExempt = 0 ; SME = 1 ; Buy Cross SME = 2 ; Sell Cross SME = 3 ; Both Buy and Sell Cross SME
Executing against dark liquidity tag value	A private tag value that will identify if the order executed with a passive dark order	FieldIdentifier = 6780 TSXExchangeAdmin Position 4: “D” Order executed against dark liquidity	FieldIdentifier = 380 Exchange-Admin Position 4: “D” Order executed against dark liquidity	FieldIdentifier = 380 Exchange-Admin Position 4: “D” Order executed against dark liquidity
Removal of Short Exempt identifier	With the repealing of the tick test the short exempt designation will be discontinued	FieldIdentifier = 54 “6” = Sell Short exempt “A” = Cross Short Exempt	FieldIdentifier = 221 ; TSX and TMXS ShortExempt = "Y" "N" ; default is "N"	FieldIdentifier = 221 ; TSX and TMXS ShortExempt = "Y" "N" ; default is "N"
Removal of Short Limit identifier	With the repealing of the tick test the short limit designation will be discontinued	Not applicable	FieldIdentifier = 185 ; TSX, TSXV, and TMXS ShortLimit = Price	FieldIdentifier = 185 ; TSX, TSXV, and TMXS ShortLimit = Price