

13.2.3 TSX – Notice of Approval – Enhanced Self-Trade Order Features and Acceptance of Mixed Lot and Odd Lot Volumes for Specialty Priced Crosses

TORONTO STOCK EXCHANGE

NOTICE OF APPROVAL

**ENHANCED SELF-TRADE ORDER FEATURES
AND ACCEPTANCE OF MIXED LOT AND ODD LOT VOLUMES FOR SPECIALTY PRICED CROSSES**

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information contained in Form 21-101F1 and the Exhibits thereto (the “Protocol”), Toronto Stock Exchange (“TSX”) has adopted, and the OSC has approved, the following Proposed Changes to TSX’s order types (the “Proposed Changes”) to enhance self-trade order features and accept mixed lot and odd lot volumes for specialty priced crosses. The Proposed Changes were published for public comment in a request for comments on May 1, 2014 (“Request for Comments”).

Overview

Self Trade Features

Currently the TSX Cancel Newest self-trade order instruction prevents a trade between two orders from the same broker with self-trade prevention instructions and with matching self-trade keys, by cancelling the incoming order.

To provide additional options for participants seeking to prevent or manage wash trades, TSX is introducing the following two additional self-trade prevention instructions and one self-trade management instruction:

1. *Cancel Oldest Self-Trade Prevention*

The Cancel Oldest self-trade prevention instruction will prevent an incoming order from executing against a passive order from the same broker with a self-trade prevention instruction and matching self-trade keys. The passive order will be cancelled and the active order will trade up or down to its limit, booking any remaining volume if eligible.

2. *Decrement Largest and Cancel Smallest Self-Trade Prevention*

The Decrement Largest and Cancel Smallest self-trade prevention instruction will prevent an incoming order from executing against a passive order from the same broker with a self-trade prevention instruction and matching self-trade keys.

- If both orders are equivalent size both orders will be cancelled.
- If orders are not equivalent in size, the smaller order will be cancelled and the larger order will be decremented by the size of the smaller order.
- If the larger order was passive the remaining volume will continue to rest in the book.
- If the larger order was active the balance of the order will trade up or down to its limit, booking any remaining volume if eligible.

3. *Self-Trade Management*

The Self-trade management instruction will permit an incoming order to execute with a passive order from the same broker with a self trade management instruction and matching self-trade keys, however this trade will be suppressed from the public feed. Self-trade management applies only to unintentional self-trading and therefore does not affect the current handling of Crosses.

TSX Specialty Priced Crosses

Specialty priced crosses (Basis, Contingent, STS, VWAP) will be accepted with mixed lot and odd lot volumes. Contingent crosses with mixed lot volumes will be permitted to establish a last sale price in the same manner as a board lot contingent cross.

Reasons for the Amendments

The Proposed Changes are related to self trade prevention and management features, introduced to assist market participants in preventing wash trades. These changes will provide more opportunities for individuals to participate on both sides of the market without unintentionally violating 'wash trading' rules described in UMIR 2.2. The Proposed Change related to specialty priced crosses has been requested by participants of the TSX and is a common feature available in the Canadian market.

Summary and Text of the Final Amendments

TSX received one comment letter in response to the Request for Comments. A summary of the comments submitted, together with TSX's responses, is attached as **Appendix A**.

TSX respects the public comment process and appreciates the value such public input provides. TSX thanks the commenters for their submissions.

Effective Date

The Amendments will become effective on December 1, 2014.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

CIBC World Markets Inc. (CIBC)

Capitalized terms used and not otherwise defined shall have the meaning given in the Request for Comments published in the OSC Bulletin on May 1, 2014.

<i>Summarized Comments Received</i>	<i>TSX Response</i>
A comment was received that was generally supportive of self trade prevention order types and allowing mixed and odd lot special priced crosses. The commenter also recommended certain steps with respect to the preferred methodology for implementation of these Proposed Changes, chiefly consisting of stakeholder and industry group consultation, as well as marketplace co-ordination. Finally the commenter requested that the TSX review its proposed use of FIX tags as well as consider whether trading fees should apply to suppressed trades. (CIBC)	The proposed implementation was reviewed against other implementations of the same/similar functionality in the industry. In addition, TSX participated in a FIX Protocol meeting with industry participants to review proposed FIX tag/value implementation. Although trading fee are outside of the scope of these Proposed Changes, the TSX appreciates these comments and will review and, if warranted, address fee matters at a later date.