

13.2 Marketplaces

13.2.1 Amendments to the Rules of the TSX to Eliminate the Indicative Calculated Closing Price Feature on the Market On Close Facility – Summary of Comments and Responses

**AMENDMENTS TO THE RULES OF THE TORONTO STOCK EXCHANGE
TO ELIMINATE THE INDICATIVE CALCULATED CLOSING PRICE FEATURE
ON THE MARKET ON CLOSE FACILITY**

TSX SUMMARY OF COMMENTS AND RESPONSES

Comments Received from:

1. RBC Capital Markets (“RBC”)
2. Infinium Capital Corp. (“Infinium”)

Capitalized terms that have not been specifically defined have the meaning attributed to them in the TSX Request for Comments.

	Comment By and Category	Summary of Comment	TSX Response
1.	RBC on the market impact of holding back orders until after ICCP	<p>RBC commented their belief that most MOC participants choose to wait until after the ICCP to enter offsetting orders. This means the ICCP does not truly reflect the closing price. RBC is concerned that order sizes and limit prices of iceberg orders can be revealed to the marketplace since offsetting orders are only being entered after the ICCP is published.</p> <p>RBC and its clients wait until after 15:50 to enter offsetting orders and this limits the amount of time to react which in turn could increase volatility at the close.</p>	<p>TSX agrees with RBC’s concern that the ICCP may unintentionally reveal more information about resting iceberg orders than it does about the indicative closing price if offsetting MOC orders are withheld until after 15:50.</p> <p>The ICCP was not intended to impede order entry and TSX is concerned about this unintended negative effect described by RBC. TSX is also concerned that others may also be reacting to the ICCP similar to RBC and their clients and this has led to the conclusion that ICCP in its current form is not beneficial to the marketplace and should be eliminated.</p>
2.	Infinium comment on potential negative impact	Infinium commented that removing the ICCP undermines the objective of the MOC by hampering price discovery market integrity and number of orders filled	TSX disagrees with this comment and believes instead that eliminating the ICCP in its current form will remove the unintended effect that some participants withhold their offsetting orders until 3:50 p.m. Without the 3:50 p.m. ICCP publication all participants will be encouraged to secure time priority by putting forward their most aggressive MOC offsetting limit orders as early as possible without the ICCP causing concern of information leakage for some participants.
3.	Infinium comment on the ICCP as an effective gauge of the closing price	Infinium commented that the ICCP is an effective gauge of the participation level for the closing price for those who are price sensitive or who are providing liquidity to the MOC and thus allows those participants to increase or reduce their level of participation in satisfying the MOC imbalance with an overall	TSX disagrees with this comment on the basis that significant MOC participants have indicated they and their customers withhold orders until after 3:50 p.m. that would otherwise affect the ICCP.

		effect of increasing the number of fills available to retail and institutional participants.	
4.	Infinium on the market impact of holding back orders until after ICCP	Infinium comments acknowledge the current major arguments for eliminating the 3:50 ICCP centres around people delaying their participation until after the ICCP and questions what real negative impact this has on the market since the participants who are responding to the ICCP are the very participants that have the largest stabilizing affect on the market.	TSX agrees that the detractors of the ICCP are active MOC participants and are likely to be the same participants that have the largest stabilizing affect on the market. This leads TSX to conclude that the ICCP likely has no positive impact on the market since the largest stabilizing participants are not entirely supportive of the ICCP.
5.	Infinium: Increased volatility has occurred on days when ICCP was not published	Infinium has observed a very significant increase in the average market impact on days where the TSX has failed to broadcast the ICCP (illustrated by 14 “failed ICCP” days over a 6 month period where volatility was 165% higher on average on days where the ICCP failed with 75 stocks recording their largest volatility for the period on those failed ICCP days at 191% higher than average.)	The nature of the current ICCP process (the technical solution is not very robust) means that days where ICCP has failed to publish historically are also the days that the exchange experienced the highest volume traded. Unusually high volatility is generally coupled with unusually high volume whenever market sentiment changes due to a news event or some other external market activity driving event. The failed ICCP historically is directly attributed to unusually high volume but it does not follow that high volatility is attributed to failed ICCP. Instead TSX suggests that the failed ICCP is correlated as an effect (not a cause) of high volume and high volatility.