

13.1.5 TSX Request for Comments - Amendments to Remove Imbedded Opening and Closing Times from the TSX Rules

TORONTO STOCK EXCHANGE

REQUEST FOR COMMENTS

**AMENDMENTS TO REMOVE IMBEDDED OPENING and CLOSING TIMES
FROM THE RULES OF THE TORONTO STOCK EXCHANGE**

The Board of Directors of TSX Inc. (TSX) has approved amendments (Amendments) to the Rules of the Toronto Stock Exchange (TSX Rules). The Amendments, shown as blacklined text, are attached at Schedule A. Discussion of the Amendments is provided in Parts I to III below.

The Amendments will be effective upon approval by the Ontario Securities Commission (Commission) following public notice and comment. Comments on the proposed amendments should be in writing and delivered no later than 30 days from the date of the publication of this Request for Comments to:

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A copy should also be provided to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
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20 Queen Street West
Toronto, Ontario M5H 3S8
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Terms not defined in this Request for Comments are defined in the TSX Rules.

I. Proposed Change

The Amendments remove the imbedded opening and closing times of Toronto Stock Exchange (Exchange) from the TSX Rules and confirm that the TSX Board of Directors shall determine the opening and closing time of Sessions. Specific references to the Market-On-Close (MOC) operating hours are also being removed and replaced with generic references. The Amendments also include language that clarifies the Exchange's opening allocation process. TSX does not intend to change its trading hours at this time.

II. Rationale

The TSX Rules provide that unless otherwise changed by a resolution of the Board of Directors, the Exchange shall open its regular trading session at 9:30 a.m. ET and close at 4:00 p.m. ET. Removing these imbedded times will allow the TSX Board of Directors to make changes to the opening and closing times without formally amending the TSX Rules. TSX anticipates that this will shorten the implementation process to change the Exchange's opening or closing time by at least two months, as the change will not trigger a regulatory submission and will not necessitate a public comment period.

TSX does not currently intend to change the Exchange's trading hours. TSX will work with all stakeholders in the event that the Board determines that a change in trading hours would be beneficial. As with other significant changes, TSX will provide no less than 60 days notice to market participants before changing the Exchange's opening or closing time, and will consult with regulators such as the Commission and self-regulatory organizations such as Market Regulation Services Inc. and the Canadian Depository for Securities Limited before any announcements are made.

The Amendments also remove the imbedded MOC times from the TSX Rules. All relevant MOC times will be posted on the TSX website and Participating Organizations (POs) will be given at least 60 days notice of any change in MOC operating times. If the Amendments are approved, TSX will be able to change operating times for the MOC facility after notice to POs, but without submitting a formal rule change. This will shorten the implementation process for changing MOC operation times.

As competition among marketplaces intensifies globally and domestically, the TSX Rules must be flexible so that TSX can respond nimbly to competitive threats, while ensuring that marketplace participants have sufficient time to adapt to changes at the Exchange. We are cognizant of the growth in trading on the Exchange from international customers as well as the new trading demands that come with innovative product development at the client and PO level. These new trading demands may necessitate a shift in trading hours at the Exchange in the future. It will be beneficial for TSX to have the ability to make these changes after a minimum of 60 days' notice to our constituents, but without the additional delay and uncertainty that envelopes the formal amendment process for TSX Rules.

III. Description of the Amendments

Part 1 - Interpretation

Rule 1-101 is amended to add a new defined term - "closing time" - being the time fixed by the Board for the end of a Session. The definition of "MOC Book" in Rule 1-101 is being amended to delete the MOC operating times.

Part 3 - Governance of Trading Sessions

Rule 3-101(2) is revised to delete the imbedded trading hours for the Regular Session and Special Trading Session, and to clarify that the Board shall determine the opening time and closing time of Sessions.

Part 4 - Trading of Listed Securities

Rules 4-701(2)(c) and 2(d) are amended to delete the imbedded time references. Rule 4-701(2)(d) is also revised to confirm that any order that is entered in the two minutes preceding the opening time and that affects the Calculated Opening Price (COP), is guaranteed a fill at the opening. This new language merely confirms the manner in which the trading engine algorithm operates its opening allocation on the Exchange.

Rule 4-701(3)(c) is similarly amended to delete the imbedded time reference and to confirm that an order that is entered during the two minutes before the opening time which does not affect the COP will be eligible to participate in the opening but will not be guaranteed a fill at the opening. This new language confirms the existing opening allocation algorithm in the trading engine.

Rule 4-902(3) is amended throughout to delete imbedded MOC operating times (including MOC trading hours, imbalance broadcast and indicative calculated closing price broadcast) and replace them with references to the closing time, or with the statement that the applicable time is determined by the Exchange.

Policy 4-1003(2)(a) is amended to delete the imbedded times and replace them with a reference to the duration of the Special Trading Session.

Policy 4-1103(3)(f) is amended by deleting the imbedded times and replacing them with references to the Regular Session.

Part 5 - Clearing and Settlement of Trades in Listed Securities

Rule 5-303 is amended by replacing the imbedded time with a reference to the closing time.

IV. Impact

If the Amendments are approved, TSX will be able to change the opening and closing times of the Exchange without filing a rule amendment with the Commission and without undergoing a public comment period.

V. Other Marketplaces

The London Stock Exchange (LSE) does not need the approval of the Financial Services Authority (FSA) to change its trading hours. However, the LSE is required to provide notice to the FSA of a change to its trading hours. The terms "market hours", "market open", and "market close" are defined terms in the Rules of the London Stock Exchange, but there aren't any specific times imbedded in these definitions. Similarly, trading hours of the Australian Securities Exchange (ASX) are not included in its rules; and the ASX does not need the approval of the Australian Securities & Investments Commission to change its trading hours.

Rule 3-101(2) of the Canadian Trading and Quotation System Inc. (CNQ) states that, unless otherwise changed by resolution of the CNQ Board, the CNQ System shall be open for continuous trading from 8:00 a.m. to 6:00 p.m. CNQ Rule 11-101(c) provides that Rule 3 in its entirety applies to trading in CNQ's Alternative Market. Despite this rule, it appears that the trading hours for CNQ's Alternative Market have been set at 9:00 a.m. to 5:00 p.m.

Regular trading hours for the New York Stock Exchange (NYSE) and Nasdaq are imbedded in the respective exchange's trading rules.¹ It is our understanding that both the NYSE and Nasdaq would be required to make a rule filing with the Securities and Exchange Commission (SEC) to change their trading hours. Whether the trading hour change would require industry comment as part of the rule change would likely depend on the anticipated impact that such a change could have on the industry. We were not able to confirm our understanding directly with the SEC.

VI. Public Interest Assessment

We submit that in accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals, the Amendments will be considered "public interest" in nature. The Amendments would, therefore, only become effective following public notice, a comment period and the approval of the Commission.

VII. Questions

Questions concerning this notice should be directed to Deanna Dobrowsky, Legal Counsel, Market Policy & Structure, TSX Group Inc. at (416) 947-4361.

¹ See NYSE Rule 51, and Nasdaq Rule 4617.

Schedule A

RULES (AS AT JUNE 13, JULY, 2007)	POLICIES
<p><u>PART 1 - INTERPRETATION</u></p> <p>1-101 Definitions (Amended)</p> <p>(1) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <p>(a) defined or interpreted in section 1 of the <i>Securities Act</i> has the meaning ascribed to it in that section;</p> <p>(b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection;</p> <p>(c) defined in subsection 1.1(3) of National Instrument 14-101 Definitions has the meaning ascribed to it in that subsection;</p> <p>(d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that subsection; and</p> <p>(e) defined or interpreted in UMIR has the meaning ascribed to it in that document.</p> <p>Amended (April 1, 2002)</p> <p>(2) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <p>*****</p> <p><u>“closing time” means the time fixed by the Board for the end of a Session.</u></p> <p><u>Added [•]</u></p> <p>*****</p> <p><u>“MOC Book” means the electronic file that holds MOC Orders entered between 7:00 a.m. and 4:10 p.m.</u></p> <p><u>Amended (August 26, 2005)[•]</u></p> <p>*****</p>	
<p><u>PART 3 – GOVERNANCE OF TRADING SESSIONS</u></p> <p><u>DIVISION 1 – SESSIONS</u></p> <p>3-101 Date and Time of Sessions</p> <p>(1) The Exchange shall be open for Sessions on each Business Day.</p> <p>(2) Unless otherwise changed by a resolution of the Board<u>The Board shall determine the opening time and closing time of Sessions.</u></p>	

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<p>(a) the Regular Session shall open at 9:30 a.m. and close at 4:00 p.m.; and</p> <p>(b) the Special Trading Session shall open at 4:15 p.m. and close at 5:00 p.m.</p> <p>Amended (March 10, 2006)[•]</p>	
<p>*****</p>	<p>*****</p>
<p><u>PART 4 – TRADING OF LISTED SECURITIES</u></p>	
<p>DIVISION 7 – OPENING</p> <p>4-701 Execution of Trades at the Opening</p> <p>(1) Subject to Rule 4-702, listed securities shall open for trading at the opening time, and any opening trades shall be at the calculated opening price.</p> <p>(2) The following orders shall be completely filled at the opening:</p> <p>(a) market orders and better-priced limit orders for client accounts;</p> <p>(b) MBF orders;</p> <p>(c) market orders and better-priced limit orders for non-client accounts that were entered prior to 9:28 a.m. <u>the two minutes immediately preceding the opening time;</u> and</p> <p>(d) market orders and better-priced limit orders for non-client accounts that were entered after 9:28 a.m. during the two minutes immediately preceding the opening time <u>where the opening of the security is delayed pursuant to Rule 4-702.702, or where the order affected the Calculated Opening Price.</u></p> <p><u>Amended [•]</u></p> <p>(3) The following orders are eligible to participate in the opening but are not guaranteed to be filled:</p> <p>(a) Repealed (August 7, 2001)</p> <p>(b) limit orders at the opening price; and</p> <p>(c) market orders and better-priced limit orders for non-client accounts that were entered after 9:28 a.m. during the two minutes immediately preceding the opening time and that did not affect the Calculated Opening Price, <u>where the security opens at the opening time.</u></p>	

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<p><u>Amended [•]</u></p> <p>*****</p>	
<p>DIVISION 9 – SPECIAL TRADING SESSION</p> <p>*****</p>	
<p>4-902 Market-On-Close</p> <p>(1) Eligible Securities</p> <p>MOC Orders may only be entered for MOC Securities.</p> <p>(2) Board Lots</p> <p>A MOC Order must be for a board lot or an integral multiple of a board lot of a MOC Security.</p> <p>(3) MOC Order Entry</p> <p>(a) MOC Market Orders may be entered, cancelled and modified in the MOC Book from 7:00 a.m. until 3:40 p.m. on each Trading Day <u>beginning at a time determined by the Exchange and ending at the time the MOC Imbalance is broadcast.</u> MOC Market Orders may not be cancelled or modified after 3:40 p.m. <u>the MOC Imbalance is broadcast.</u></p> <p>(b) The MOC Imbalance is calculated and broadcast at 3:40 p.m. on each Trading Day <u>at a time determined by the Exchange.</u></p> <p>(c) The indicative calculated closing price for each MOC Security is broadcast at 3:50 p.m. on each Trading Day <u>at a time determined by the Exchange.</u></p> <p>(d) Following the broadcast of the MOC Imbalance, until 4:00 p.m. <u>the closing time</u> on each Trading Day, MOC Limit Orders may be entered in the MOC Book on the contra side of the MOC Imbalance. MOC Limit Orders may be cancelled until 4:00 p.m. <u>the closing time.</u></p> <p>(e) In the event of a delay of the Closing Call for a MOC Security, MOC Limit Orders may be entered in the MOC Book for such security on the contra side of the MOC Imbalance <u>between 4:00 p.m. and 4:10 p.m. for a period of time determined by the Exchange.</u> MOC Limit Orders may not be cancelled during this time period.</p> <p><u>Amended [•]</u></p> <p>(4) Closing Call</p> <p>(a) The Closing Call shall occur on each Trading Day at 4:00 p.m. <u>the closing time.</u> The Closing</p>	

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<p>Call in a MOC Security shall be delayed for a period of ten minutes (and therefore occur at 4:10 p.m.) <u>time determined by the Exchange</u> in the event that the price that would be the calculated closing price for the MOC Security exceeds the volatility parameters determined by the Exchange. The Exchange will forthwith broadcast a message identifying the MOC Security that is subject to the delay.</p> <p>(b) In the event that the price that would be the calculated closing price for a MOC Security exceeds the closing price acceptance parameters determined by the Exchange at 4:10 p.m. <u>the end of the delay period set out in Rule 4-902(4)(a)</u>, the calculated closing price for the MOC Security will be the price at which most shares will trade, leaving the least imbalance, where the price does not exceed the closing price acceptance parameters determined by the Exchange for such security.</p> <p>Amended [•]</p> <p>*****</p>	
<p>DIVISION 10 – PROGRAM TRADING</p> <p>*****</p>	
<p>4-1003 Offsetting Orders on Expiry</p> <p>Orders in listed securities that offset an expiring Index derivatives position, or that substitute an equities position for an expiring Index derivatives position, shall be entered as prescribed by the Exchange.</p>	<p>4-1003 Offsetting Orders on Expiry</p> <p>(1) Definition of Program Trading for Must-Be-Filled Orders</p> <p>For purposes of Rule 4-1003, a program trade is a simultaneous trade undertaken on the expiry date of an option or future in listed securities comprising at least 70 percent of the component share weighting of an Index where such trade offsets a per-existing position in a future or an option the underlying interest of which is the Index.</p> <p>(2) Must-Be-Filled Order Reporting Requirements</p> <p>The following requirements apply to Must-Be-Filled Orders:</p> <p>(a) <i>Entry of Orders</i> – A Must-Be-Filled Order shall be entered on the day prior to the expiry date (normally a Thursday) between 4:30 and 5:30 p.m. <u>during the Special Trading Session</u> or at such other times as may be required or permitted by the Exchange (the “reporting time”). An order for a program trade may be entered at a time other than the reporting time only with the consent of the Exchange.</p> <p>A Must-Be-Filled Order may be cancelled prior to the end of the reporting time through normal cancellation and correction procedures. After the end of the reporting time,</p>

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	<p>each Must-Be-Filled Order is committed and may be withdrawn from the trading system only with the consent of the Exchange.</p> <p>The Exchange may release a ticker notice regarding material imbalances in orders for a particular listed security after the end of the reporting time.</p> <ul style="list-style-type: none"> <li data-bbox="938 411 1471 600">(b) <i>Prearranged Trades</i> – A Participating Organization with both sides of a program trade arranged may enter the orders at a time other than during the reporting time. The trading system will seek out such orders and will cross them automatically where possible. <li data-bbox="938 632 1471 926">(c) <i>Automatic matching</i> – The trading system will automatically match all program trades, market orders and better-priced limit orders where possible. Any imbalance after matching of these orders will be included in the regular opening following the normal allocation rules and receive the calculated opening price. Market orders and better-priced limit orders will be filled first against an imbalance of large program trades.
<p>DIVISION 11 — SPECIAL TERMS</p> <p>*****</p>	
<p>4-1103 Exchange for Physicals and Contingent Option Trades</p> <p>Orders which are conditional upon a simultaneous trade in a derivative on another exchange shall be special terms trades and shall be traded in accordance with the prescribed procedures and conditions.</p>	<p>4-1103 Exchange for Physicals and Contingent Option Trades</p> <ul style="list-style-type: none"> <li data-bbox="857 1209 1062 1234">(1) Application <p>This Policy applies to each person who has been granted trading access to the Exchange and who seeks to enter an order on the Exchange for a listed security which is contingent upon the execution of one or more trades in an option on the Montreal Exchange or who seeks to exchange an index futures contract that is listed for trading on the Exchange for the equivalent number of listed securities underlying the futures contract (including an equivalent number of index participation units) on a contingent basis.</p> <ul style="list-style-type: none"> <li data-bbox="857 1566 1357 1591">(2) Procedure for Contingent Option Trade <p>If a person to whom this Policy applies seeks to enter an order on the Exchange for a listed security which is contingent upon the execution of one or more trades in an options market, the following rules shall apply:</p> <ul style="list-style-type: none"> <li data-bbox="938 1755 1446 1835">(a) the trade in the listed security and the offsetting option trades must be for the same account;

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	<p>(b) the option portion of the trade must be approved by a floor governor or other exchange official of the stock exchange on which the option is listed and such approval shall be evidenced by the initials of the governor or official on the options trade ticket;</p> <p>(c) the options trade ticket shall be time stamped;</p> <p>(d) the person shall telephone Trading and Client Services of the Exchange at (416) 947-4440 and provide the details of the contingent trade including the name of the person with trading access to the Exchange with whom the contingent trade has been made;</p> <p>(e) the trade in the listed security must be within the existing market for the listed security on the Exchange at the time of the telephone call to Trading and Client Services;</p> <p>(f) a copy of the options trade ticket as initialled by a floor governor or exchange official and time stamped shall be provided by facsimile transmission to Trading and Client Services at (416) 947-4280 within ten minutes following the time stamp on the ticket; and</p> <p>(g) provided the trade has been made and reported in accordance with the above rules, the Exchange shall manually execute the trade in the listed security as a special terms trade with the marker "MS" effective as of the time stamped on the option trade ticket.</p> <p>(3) Procedure for Exchange for Physicals</p> <p>If a person to whom this Policy applies seeks to exchange a futures contract for the equivalent number of listed securities underlying the futures contract (including an equivalent number of units of the applicable Index Participation Fund or mutual fund), the following provisions shall apply:</p> <p>(a) the trade in the listed security and the trade in the futures contract must be for the same account;</p> <p>(b) the equities component may be made as a cross or as a trade between persons with trading access on the Exchange;</p> <p>(c) the futures portion of the trade must be approved by a floor governor or other exchange official of the stock exchange on which the future is listed and such</p>

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	<p>approval shall be evidenced by the initials of the governor or official on the futures trade ticket;</p> <p>(d) the futures trade ticket shall be time stamped;</p> <p>(e) the person shall telephone Trading and Client Services of the Exchange at (416) 947-4440 and provide the details of the exchange including the name of the person with trading access to the Exchange with whom the exchange has been made;</p> <p>(f) the trade in the listed securities made from 9:30 a.m. to 4:00 p.m. during the Regular Session will be at the bid price of the listed securities on the Exchange at the time of the telephone call to Trading and Client Services and the trade in listed securities made from 4:00 p.m. to 4:15 p.m. after the end of the Regular Session will be at the last sale price of the listed securities on the Exchange provided that where the last sale price is outside of the closing quotes for any listed security the price for that listed security shall be the bid or offer which is closest to the last sale price;</p> <p><u>Amended [•]</u></p> <p>*****</p>
<p><u>PART 5 – CLEARING AND SETTLEMENT OF TRADES IN LISTED SECURITIES</u></p>	
<p>*****</p>	
<p>DIVISION 3 – CLOSING OUT CONTRACTS</p> <p>*****</p>	
<p>5-303 Failed Trade in Rights, Warrants and Instalment Receipts</p> <p>(1) Notwithstanding Rule 5-301, should fail positions in rights, warrants or installment receipts exist on the expiry or payment date, purchasing Participating Organizations have the option of demanding delivery of the securities into which the rights, warrants or installment receipts are exercisable, any additional subscription privilege, and any subscription fee payable to a Participating Organization, that may be available, such demand shall be made before 4:00 p.m. the closing time on the expiry date.</p>	

RULES (AS AT JUNE 13, JULY, 2007)	POLICIES
<u>Amended [•]</u> *****	