

13.2 Marketplaces

13.2.1 TSX Inc. and TSX Venture Exchange Inc. – Notice of Proposed Amendments and Request for Comments

TSX INC.

AND

TSX VENTURE EXCHANGE INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

TSX Inc. (“**TSX**”) is publishing this Notice of Proposed Amendments and Request for Comments in accordance with the “Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto”.

TSX Venture Exchange Inc. (“**TSXV**”, and together with TSX, the “**Exchanges**”) is publishing this Notice of Proposed Amendments and Request for Comments.

Market participants are invited to provide comments on the Proposed Amendments. Comments should be in writing and delivered by January 29, 2021 to:

Denno Chen
Director, Regulatory Affairs
TMX Group
100 Adelaide Street West, Suite 300
Toronto, Ontario M5H 1S3
Email: tsxrequestforcomments@tsx.com

A copy should also be provided to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Email: marketregulation@osc.gov.on.ca

Comments will be made publicly available unless confidentiality is requested. Upon completion of the review by staff at the Ontario Securities Commission (“**OSC**”), British Columbia Securities Commission (the “**BCSC**”) and Alberta Securities Commissions (the “**ASC**”), and in the absence of any regulatory concerns, a notice will be published to confirm the approval by each of the OSC, BCSC and ASC.

Background and Rationale

The Exchanges strive to maintain and operate resilient trading systems. However, technology may fail as a result of unforeseen circumstances. The Exchanges have in place detailed Incident Management Guidelines (the “**Incident Guidelines**”) that represent the key operational protocols in the event of a critical incident impacting the operations and availability of the Exchanges. An incident is generally considered to be a significant service interruption to trading as a result of a system failure related to either the access or proper functioning of the trading systems or the respective market data feeds (an “**Incident**”). The Incident Guidelines can be found here: <https://www.tsx.com/trading/toronto-stock-exchange/member-notices/incident-management>

Although the operational protocols followed during an Incident may vary depending on the nature and complexity of an Incident, the Incident Guidelines are intended to provide pertinent information, transparency and a level of certainty to participants around how the Exchanges will be managed during an Incident.

Currently, in the event of an Incident where the Exchanges’ Market-on-Close functionality (“**MOC**”) cannot be facilitated through our contingency process, the last board lot sale price on the applicable Exchange will be the closing price for the day. Similarly, in the event of an Incident, non MOC eligible securities will use the last board lot sale price on the applicable Exchange as their closing price for the day.

The Exchanges conducted extensive discussions and consultations with key stakeholders, and received feedback that an alternative closing price was required to provide clients with a more accurate closing price than our current contingency plan (i.e., the last known board lot price) in the event of an Incident. The Exchanges developed the Alternative Closing Price (as defined below) in response to such feedback.

Details of Proposed Amendments

The Alternative Closing Price will be calculated as follows:

- using the volume-weighted average price (“**VWAP**”) of the consolidated last-sale eligible prices of the last five minutes of trading during regular trading hours (the “**5 Minute Window**”), including any closing transactions on an exchange and any trade breaks or corrections up to the time the VWAP is processed.
- If there is no VWAP during the 5 Minute Window, the Alternative Closing Price will be calculated using the last known market-wide last sale eligible trade that day.
- If there are no trades on that day for a particular security, the Alternative Closing Price will be the closing price for such security on the last day in which it traded on the applicable Exchange.

The Alternative Closing Price will apply to all securities trading on the Exchanges and replace the last board lot sale price as the contingency plan as outlined in the Incident Guidelines. If either of the Exchanges are unable to recover trading functionality for the day, the applicable Exchange will utilize the Alternative Closing Price.

Other than as indicated in the third bullet, the Alternative Closing Price will be calculated using the last sale price of the applicable Exchanges’ securities trading on all other Canadian marketplaces.

Expected Date of Implementation

The Alternative Closing Price is expected to be implemented following receipt of regulatory approval, and is anticipated to be implemented in Q2, 2021.

Expected Impact

There will be no impact on market structure or issuers. The Exchanges do not anticipate that any market participant will be negatively impacted by the Alternative Closing Price. The Alternative Closing Price is anticipated to provide market participants with a more accurate closing price in the event of an Incident.

Expected Impact of Alternative Closing Price on the Exchanges’ Compliance with Applicable Securities Law

The Alternative Closing Price is in compliance with applicable securities laws and does not impact fair access to markets or the maintenance of fair and orderly markets.

Estimated Time Required by Members and Service Vendors to Modify Their Own Systems after Implementation of the Alternative Closing Price

We intend to disseminate the Alternative Closing Price in the same manner as we currently disseminate the last known board lot price contingency plan. We anticipate that the communication of the Alternative Closing Price will be made through a Production Alert email and posted on the TMX website at: <https://www.tsx.com/trading/toronto-stock-exchange/member-notices/equities-trading-notices>.

TSX does not anticipate that market participants need to make any changes to accommodate the Alternative Closing Price.

Does the Alternative Closing Price Currently Exist in Other Markets or Jurisdictions

The Exchanges are not aware of any other market or jurisdiction utilizing a similar alternative closing price to the Alternative Closing Price.