

13.1.3 TSX Inc. Notice - Approval of Amendments to the Rules of the Toronto Stock Exchange (Exchange) to Accept Bypass Orders

TSX INC. NOTICE

**APPROVAL OF AMENDMENTS TO THE RULES OF
THE TORONTO STOCK EXCHANGE (EXCHANGE) TO ACCEPT BYPASS ORDERS**

Introduction

In accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals between the Ontario Securities Commission (OSC) and Toronto Stock Exchange (Protocol), TSX Inc. (TSX) has adopted and the OSC has approved certain amendments (Amendments) to the provisions in the Rules of the Toronto Stock Exchange (Rule Book). The Amendments will become effective on a future date to be determined by the Exchange.

Purpose

The Amendments reflect the manner in which the Exchange will automate the bypass order function which was recently brought into the Universal Market Integrity Rules (UMIR Amendments). The Amendments incorporate the definitions "Bypass Order" and "Designated Trade" which were introduced in the UMIR Amendments. They allow a Participating Organization (PO) to enter orders on the Exchange using a bypass order marker that will ensure that the PO's order will only execute against the visible portion of orders on the Exchange. This will allow POs to fulfil their "best price" obligations while giving standing only to the visible portion of orders on the Exchange. The Amendments also allow a PO to execute certain qualifying intentional crosses and prearranged trades outside of the best bid or best ask price posted on the Exchange. These qualifying trades, known as Designated Trades in UMIR, are executed within an acceptable range of the best bid/ask price for the security, as set out in the UMIR Amendments.

The Amendments also repeal the wide distribution rules. The wide distribution rules are no longer necessary as a result of the UMIR Amendments because the combination of Bypass Orders and Designated Trades essentially duplicates the functionality currently provided through the wide distribution mechanism. The distinction is that, while all better priced orders are able to participate in a wide distribution, only visible orders will execute against a Bypass Order that executes prior to a Designated Trade. TSX believes that the repeal of the wide distribution rule is not material.

Non-Public Interest Rule

The Amendments are not considered to be a "public interest" rule. The Amendments change the Exchange's order allocation algorithm in order to reflect the UMIR Amendments. The Amendments must be made in order for the Exchange to automate functionality that will be UMIR compliant.

The portion of the Amendments that repeal the wide distribution rule are also predicated on the UMIR Amendments because the Designated Trade functionality will render the wide distribution mechanism obsolete. As set out on page 15 of Market Regulation Services Inc.'s May 16, 2008 Market Integrity Notice No. 2008-008 Provisions Respecting "Off-Marketplace" Trades, one of the principal impacts of the UMIR Amendments is to: "eliminate the need for 'wide distributions' as provided for in the rules of TSX or similar provisions of other marketplaces".

Amendments

The Amendments are provided in Appendix A.

Timing

Because the Amendments are not considered to be a public interest rule, in accordance with the Protocol the Amendments were deemed to be approved by the OSC at the time TSX filed its Amendments submission on July 4, 2008. The Amendments will become effective on a future date to be determined by the Exchange, after the Exchange provides advanced notice to the public.

APPENDIX A

RULES (AS AT DECEMBER 14, 2007, 2008)	POLICIES
<p>PART 1 – INTERPRETATION</p> <p>1-101 Definitions (Amended)</p> <p>(1) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <p>*****</p>	
<p>(2) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <p>*****</p> <p><u>“Bypass Order” is as defined in UMIR.</u> <u>Added (•, 2008)</u></p> <p>*****</p> <p><u>“Designated Trade” is as defined in UMIR.</u> <u>Added (•, 2008)</u></p> <p>*****</p>	
<p><u>PART 4 – TRADING OF LISTED SECURITIES</u></p> <p>*****</p> <p>4-103 Wide Distributions <u>(Repealed)</u></p> <p>(1) — Definitions</p> <p>In this Rule:</p> <p><u>“distributing Participating Organization”</u> means the Participating Organization or Participating Organizations making a wide distribution but does not include Participating Organizations participating in the distribution under Rule 4-103(4)(d).</p> <p><u>“distribution period”</u> means the period of time until a wide distribution is completely sold, but shall not exceed the end of the second trading session after the session in which the distribution was announced.</p> <p><u>“distribution price”</u> means the price at which shares are to be sold under a wide distribution.</p> <p><u>“qualified bid”</u> means a bid that was on the Exchange or on any other Canadian exchange, at the commencement of the distribution period at a price that is at or above the distribution price.</p> <p><u>“qualified order”</u> means an order having a value of at least \$25,000,000.</p> <p><u>“wide distribution”</u> means a series of distribution principal</p>	<p>4-103 Wide Distributions (Amended)</p> <p><u>Introduction</u> — In order to facilitate the distribution of listed securities to a broad spectrum of investors, Rule 4-103 permits a Participating Organization (or a group of Participating Organizations) having a position regardless of how it was to effect a wide distribution off the Exchange. The essential requirements of a wide distribution are:</p> <ul style="list-style-type: none"> (a) <u>distribution to 25 or more accounts, no one of which is to receive more than 50% of the amount distributed;</u> (b) <u>timely public announcement of the wide distribution;</u> (c) <u>completion of the wide distribution by the end of the fourth trading Session after the Session in which the Distribution is announced; and</u> (d) <u>inclusion of the already committed orders of other Participating Organizations.</u> <p><u>These procedures are designed to facilitate distributions that are neither sales from control nor trades that require delivery of a prospectus under the Securities Act. Trades that require delivery of a prospectus may be made off the</u></p> <p><u>Exchange pursuant to the exemption in Rule 4-102(1)(k). Large distributions that are sales from a control block may be effected by a distribution pursuant to Policy 4-305.</u></p> <p><u>Purpose</u> — The wide distribution procedure is an exception</p>

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<p>trades to not less than 25 separate and unrelated client accounts, no one of which participates to the extent of more than 50% of the total value of the distribution.</p> <p>(2) — Qualification for Wide Distribution</p> <p>A Participating Organization having a qualified order and intending to effect a wide distribution may take that order into its account by making an off-Exchange principal trade for the purpose of immediately effecting a wide distribution.</p> <p>(3) — Distribution from Inventory</p> <p>A Participating Organization may make a wide distribution of securities previously acquired by that Participating Organization and held in inventory, provided that the securities to be distributed have an aggregate value of at least \$25,000,000.</p> <p>(4) — Wide Distribution</p> <p>A Participating Organization may undertake a wide distribution off the Exchange only in compliance with the following provisions:</p> <ul style="list-style-type: none"> (a) the prior consent of the Exchange to the distribution and any off-Exchange take on trade must be obtained; (b) all qualified bids above the distribution price shall be filled at the distribution price; (c) qualified bids at the distribution price shall be filled at the distribution price, provided that the distributing Participating Organization need fill the bids only to the extent that 20% of the total shares to be distributed are sold to all qualified bids; (d) shares may be made available for distribution to other Participating Organizations at the distribution price, provided that all bids at the distribution price are filled; (e) the sales to the qualified bids shall be on-Exchange trades at the distribution price; (f) Participating Organizations purchasing shares pursuant to sales to qualified bids or in any off-Exchange distribution shall give priority to orders for the accounts of clients in accordance with Rule 4-504; (g) the transactions of the distributing Participating Organization on the Exchange during the distribution period are subject to Rule 4-303; and (h) at the end of the distribution period, the privilege of making distribution principal trades shall terminate. <p>(5) — Exemption from Records Requirements</p> <p>During a distribution period, the distributing Participating Organization is exempt from the provisions of Rule 2-404 with</p>	<p>to the general rule that listed securities must be traded on the Exchange, and the rule has been written to parallel the procedure for a prospectus distribution as closely as possible. It is designated to facilitate Participating Organizations that have acquired a large block of stock in inventory and wish to distribute it to a number of clients at a fixed price. Because this procedure is an exception to the general rule that Participating Organizations must trade on the Exchange, it is considered conduct unbecoming of a Participating Organization to acquire a qualified order off the Exchange with no intention to immediately make a wide distribution. Such trades are to be made on the Exchange pursuant to Rule 4-101.</p> <p>To restrict the period during which special privileges are available, the distribution period should be limited to the minimum time necessary for a distributing Participating Organization to complete a well-organized distribution in any case, the distribution period is to be no longer than until the end of the Second Session after the Session in which the distribution is announced.</p> <p><u>Joint Distributing Participating Organizations</u> — A Participating Organization may make a wide distribution jointly with other Participating Organizations. If this is the case, the Regulatory and Market Policy Division must be informed of the identity of all Participating Organizations making the distribution. All of the Participating Organizations will be considered "distributing Participating Organizations" for the purpose of the Rule and this Policy.</p> <p><u>Special Source Of Positions Of Qualified Stock</u> — In addition to the usual ways of acquiring a block of securities (accumulation on the Exchange, outside of Canada, conversion of debentures, preferred shares or warrants, etc.), Rule 4-103 provides a Participating Organization with the ability to purchase off the Exchange a block of securities equal in size to a qualified order in that security for the express purpose of making a wide distribution off the Exchange. The definition of a qualified order is in Rule 4-103(1).</p> <p><u>Timing of Sales Effort in a Wide Distribution</u> — Regardless of whether the stock is being purchased in an off-Exchange take on trade or has been acquired in some other manner, it is understood that prior to making all details firm the trading department may have conferred with salesmen and had some calls made to potential buyers in order to assess the probabilities of a successful distribution, and to set the price of the deal. However, firm sales may not be made until the announcement by the Exchange of the distribution.</p> <p><u>Announcing the Distribution - Timing and Form</u> — The Regulatory and Market Policy Division of the Exchange must be consulted in advance of any proposed wide distribution or off Exchange take on trade. It will prepare the Official announcement of the wide distribution to notify the Participating Organizations and the public of the deal. Normally, a wide distribution will take place at the close of trading. Immediately following the close, the Exchange will announce the distribution in substantially the following form:</p>

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<p>respect to the listed securities subject to the distribution. Repealed (•, 2008)</p>	<p><i>"(Participating Organization) has undertaken a Rule 4-103 wide distribution of (number of shares) of (security) at (distribution price) not. Bids that exist on any Canadian stock exchange above (distribution price) shall be filled at (distribution price). Bids at the distribution price shall be filled to a maximum of X shares." "A selling group letter has been distributed by (Participating Organization). Purchase orders must be submitted to (contact) before (time)."</i></p> <p>The announcement may contain other information if necessary. At the request of the distributing Participating Organization, the Exchange may make a pre-announcement that particulars of a wide distribution will be announced at the close. The identity of the stock to be distributed will not be revealed in a pre-announcement unless the distributing Participating Organization so requests.</p> <p>The taping of the announcement denotes the beginning of the distribution period, i.e., the period during which the distributing Participating Organization is entitled to certain privileges, e.g., the ability to unwind by off-Exchange transactions with its own clients and to be exempt from certain trading restrictions which generally apply. The privileges are not available until after the announcement has been made. In certain cases (and only if the security to be distributed is not traded on a United States securities market) the Exchange may permit a distribution to be made during the trading day. Because this will require the stock to be halted to announce the delay (and to determine whether qualified bidders wish to be filled), this will only be permitted in circumstances where the distributing Participating Organization can demonstrate that it would not be feasible to wait until the close.</p> <p>For any security, a Participating Organization may make a distribution at the opening.</p> <p><u>Qualified Bids</u> — At the announcement of the distribution, the market in the security shall be halted. All bids above the distribution price on the Exchange shall be filled at the distribution price. Bids at the distribution price shall be filled; however, the distributing Participating Organization is only required to fill qualified bids at the distribution price until 20% of the distribution has been sold on the Exchange. This means that, of the total distribution, at least 20% must be made available to qualified bids and the Market Maker. However, all qualified bids above the distribution price must be filled, even if this represents more than 20% of the distribution. The distributing Participating Organization may increase the distribution price at any time before the Exchange announces the distribution.</p> <p>In addition to the qualified bids, a minimum of 10 times the Minimum Guaranteed Fill for the stock shall be made available to the Market Maker to enable the Market Maker to perform market making responsibilities, except as noted below. Less stock may be made available if the stock to be sold the Market Maker, when combined with the qualified bids that are filled, exceeds 20% of the distribution (in</p>

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	<p>which case, stock only need be provided up to the 20% threshold). For example, a Participating Organization wishes to distribute 625,000 shares of ABC Co. at \$40 (20% is 125,000 shares). At the time the distribution is announced, the following bids are on the Exchange at the close:</p> <table data-bbox="852 380 1201 520"> <tr><td>_____</td><td>22,500</td><td>_____</td><td>40.20</td></tr> <tr><td>_____</td><td>22,500</td><td>_____</td><td>40.15</td></tr> <tr><td>_____</td><td>25,000</td><td>_____</td><td>40.10</td></tr> <tr><td>_____</td><td>20,000</td><td>_____</td><td>40.05</td></tr> <tr><td>_____</td><td>15,000</td><td>_____</td><td>40.00</td></tr> </table> <p>90,000 shares are required to fill qualified bids at above the distribution price.</p> <p>Assuming an MGF of 1099 on the stock, a total of 20,000 shares are to be made available to the Market Maker. This, added together to the 15,000 shares bid at the distribution price, would bring the total amount required to fill all qualified bids to 125,000 shares, or more than 20% of the total. Only 35,000 shares would be required to be made available to the qualified bids and to the Market Maker, and these would be allocated on an equal basis.</p> <p>If, in this example, the distributing Participating Organization wished to bring other Participating Organizations into the distribution to assist in selling, it would have to fill all bids at \$40.</p> <p>Acceptance of shares by qualified bidders is not mandatory.</p> <p><i>Note: The above paragraphs refer to entitlement of bidders on the Exchange to participation. If a distributing Participating Organization wishes to include other Participating Organizations at the same price after announcement of the distribution but before the end of the distribution period, such inclusion is not contrary to these rules, provided that all qualified bids at the distribution price have been filled and stock made available to the Market Maker. Equally, the distributing Participating Organization may take back any unsold shares or unwanted shares. Such flexibility is to emulate the practices used in underwritten distributions.</i></p> <p>Amended (July 23, 2004)</p> <p><u>Settlement</u> Participating Organizations representing qualified bids will confirm to their clients at the distribution price (with any commission), and will disclose on the confirmation that the shares were obtained pursuant to a wide distribution under Rule 4-103. Settlement of distribution principal transactions shall be over the counter. The confirmation shall state that the shares were sold pursuant to a distribution principal transaction under Rule 4-103.</p> <p><u>Market Activity in Connection with the Announcement and Distribution Period</u></p> <p>(a) Price limitation on bids and purchases during</p>	_____	22,500	_____	40.20	_____	22,500	_____	40.15	_____	25,000	_____	40.10	_____	20,000	_____	40.05	_____	15,000	_____	40.00
_____	22,500	_____	40.20																		
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	<p>distribution period — In trading after the commencement of a distribution, the distributing Participating Organization is permitted to fill any bid vacuum which was created by filling the qualified bids. In doing this it is permitted to make bids no higher than the distribution price. In addition, purchase transactions and bids in the market by a distributing Participating Organization are restricted by Rule 4-303. Until completion of the wide distribution, a distributing Participating Organization is not permitted to bid above the distribution price even on behalf of an unsolicited client order. The Participating Organization may not hold client buy orders in order to fill them at a higher price following the distribution, but must sell to the client at the distribution price.</p> <p>(b) Trading privileges to support a wide distribution — During the distribution period the distributing Participating Organization can act with discretion on the Exchange for purposes of maintaining an orderly market in the stock during the wide distribution.</p> <p>Over Allotment — Over allotment of up to 10% of the amount announced for distribution is permitted; thus, if 600,000 shares were announced for distribution, a distributing Participating Organization could sell a total of 660,000 shares through off-Exchange distribution principal trades and qualified bids combined in order to permit a cushion against which to accept cancellations to offset shares purchased from its own clients during the distribution period and to assist with providing purchases on the Exchange in the interest of an orderly market.</p> <p>Incomplete Distributions — In the event that an offering goes badly and the distribution ends without the distributing Participating Organization having been able to sell the whole position, then the Participating Organization may not routinely continue to sell to its own clients off-Exchange without the prior consent of the Exchange. However, it may sell remaining shares out of the position:</p> <ul style="list-style-type: none"> (a) to its own clients in on the Exchange principal unwinding trades; (b) to other Participating Organizations on the Exchange; or (c) through other means as provided for in the Rules.
<p>*****</p> <p>DIVISION 8 – POST OPENING</p> <p>*****</p>	

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<p>4-802 Allocation of Trades (Amended)</p> <p>(1) An order that is entered for execution on the Exchange may execute without interference from any order in the Book if the order is:</p> <p>(a) part of an internal cross;</p> <p>(b) an unattributed order that is part of an intentional cross;</p> <p>(c) part of an intentional cross entered by a Participating Organization in order to fill a client's Special Trading Session order;</p> <p>(d) part of an exempt related security cross, provided that the order is exempt from interference only to the extent that there are no offsetting orders entered in the Book, at least one of which is an order entered by the same Participating Organization, which can fill both the client's order for the particular security, in whole or in part, and an equivalent volume of the client's order for the related security. Orders in the Book will only be considered to be offsetting orders if the related security spread on execution of the clients' orders against orders in the Book is equal to or more beneficial than the related security spread offered by the Participating Organization for the contingent cross arrangement;or</p> <p>(e) entered as part of a Specialty Price Cross; <u>or</u></p> <p>(f) <u>part of a Designated Trade.</u></p> <p>(2) Subject to subsection (1), an intentional cross executed on the Exchange will be subject to interference from orders in the Book from the same Participating Organization according to time priority, provided that such orders in the Book are attributed orders.</p> <p>(3) A tradeable order that is entered in the Book <u>and is not a Bypass Order</u> shall be executed on allocation in the following sequence:</p> <p>(a) to offsetting orders entered in the Book by the Participating Organization that entered the tradeable order according to the time of entry of the offsetting order in the Book, provided that neither the tradeable order nor the offsetting order is an unattributed order; then</p> <p>(b) to offsetting orders in the Book according to the time of entry of the offsetting order in the Book; then</p> <p>(c) to the Market Maker if the tradeable order is eligible for a Minimum Guaranteed Fill.</p> <p>(4) <u>A tradeable order that is entered in the Book and is a Bypass Order shall execute against the disclosed portion of offsetting orders in the Book according to the price/time priority established in Rule 4-801.</u></p>	<p>4-802 Allocation of Trades</p> <p>(1) MGF Facility</p> <p>The MGF facility provides an automatic and immediate "one price" execution of Participating Organizations' client market orders and tradeable limit orders of up to the MGF in the security at the current market price.</p> <p>(a) Obligations</p> <p>Market Makers shall buy or sell the balance of an incoming MGF-eligible order at the current market price when there are not sufficient committed orders to fill the incoming order at that price. Market Makers shall also purchase or sell to any imbalance of MGF-eligible orders on the opening that cannot be filled by orders in the Book.</p> <p>(b) Size of MGF</p> <p>The minimum size of MGF is calculated as one share less than two board lots.</p> <p>For example, for securities with a board lot size of 100 securities, the minimum is 199 securities. This minimum is acceptable for Tier A securities and Tier B securities. The calculated minimum MGF may; however, be set at a size that is higher than the minimum. For example, the minimum size of the MGF for Tier A securities is usually greater than 599 shares (for securities with a 100 share board lot).</p> <p>(2) Market Maker Participation</p> <p>At the option of the Market Maker, the Market Maker may participate in any immediately tradeable orders (including non-client orders) that are equal to or less than the size of the Market Maker's MGF for the security. The Market Maker may participate for 40% of the MGF order at the bid price, the ask price, or both. While the Market Maker is participating, all client orders that are equal to or less in size than the MGF for the security, including those marked "BK", shall be guaranteed a fill. If the Market Maker is not participating, only MGF-eligible orders shall be guaranteed a fill.</p> <p>(3) Use of MGF by US Dealers</p> <p>Orders on behalf of American securities dealers ("U.S. dealers") to buy or sell listed securities that are interlisted with NASDAQ are not eligible for entry into the MGF system. The orders (if they would otherwise be MGF-eligible) must be marked "BK" in order to avoid triggering the responsible Market Maker's MGF obligation. This Policy applies even if the U.S. dealer is paying a commission. Orders on behalf of clients of U.S. dealers are eligible for entry into the system. Participating Organizations accepting an order from a U.S. dealer must ascertain whether the order is on behalf of a client. If the Participating Organization is unable to determine the status of the order, the order is to be treated as ineligible for entry into the MGF system. Orders on behalf of U.S. dealers that</p>

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Amended (July 23, 2004), 2008	are facilitating a trade for a client of that dealer are not eligible for entry into the MGF system and must be marked "BK". Amended (July 23, 2004)