

## 13.2 Marketplaces

### 13.2.1 CSE – Amendments to Trading System Functionality and Features – Significant Change Subject to Public Comment – Notice and Request for Comment

**CANADIAN SECURITIES EXCHANGE**  
**SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT**  
**AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY & FEATURES**  
**NOTICE AND REQUEST FOR COMMENT**

CNSX Markets Inc., (CSE or the Exchange) is filing this Notice in accordance with the Process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendix B to the Exchange's recognition order ("Protocol"). The Exchange intends to implement enhancements to its trading system in response to customer feedback. The enhancements, including new order types and additional features for existing order types, are described below.

#### A. Description of the Proposed Changes

##### *CSE At The Touch Pegged Orders*

At The Touch pegged orders are dark orders that will be pegged to the same side of the Protected National Best Bid and Offer (NBBO) at the NBBO price.

- Buy orders will be pegged to the national best bid and sell orders will be pegged to the national best offer.
- At The Touch pegged orders will not participate with contra orders unless the contra order is at least 50 board lots or \$100,000.
- At The Touch pegged orders will trade only after all visible orders in the CSE book at the NBBO have traded.
- If the NBBO is locked or crossed the At The Touch pegged order will not trade. Orders can be entered when the NBBO is locked or crossed but will not be priced or placed into the book until the condition is cleared.
- At The Touch pegged orders are available on Equity and Exchange Traded Funds (ETF) instrument types only.
- At The Touch pegged orders will expire at the end of each day.
- At The Touch pegged orders can be entered in any session where order entry is permitted but are only tradeable in continuous trading and only when the pegged order matching session has been enabled. (Peg Session is 9:30am - 4:00pm)
- At The Touch Orders will not interact with contra Seek Dark orders if there are visible orders in the book at the same price or if the contra Seek Dark orders are marked as Always Seek Price Improvement.

##### *CSE Limit On Open (LOO) Order*

LOO orders are orders entered during the pre-opening period or during trade halts that when the market opens will only trade during the opening match.

- LOO orders will only be accepted during a pre-open or halted state.
- LOO orders will not be included in the opening price calculation and will have no effect on the Calculated Opening Price (COP).
- LOO orders will trade as Limit priced orders at the end of the open match.
- LOO orders will only trade with remaining tradeable volume at the opening price and only after any other tradeable orders in the opening match have traded.

- LOO order having any remaining volume following the opening match will be cancelled and not booked.
- LOO orders will expire at the end of each day (i.e. if there is no continuous trading).
- LOO orders will trade in the order of firm and time priority.
- LOO orders appear in the book at the COP.
- LOO orders may trade with other LOO orders at the COP.
- LOO orders can participate in the Guaranteed Minimum Fill (GMF) if marked eligible and do not exceed the GMF volume.

*CSE Seek Dark – Price Improved Only*

The Price Improved Only option on a CSE Seek Dark order will inhibit the order from interacting with any pegged orders that do not offer price improvement, specifically At The Touch orders.

- The option is only available on CSE Seek Dark orders.
- If the option is not present on a Seek Dark order, the order will interact with any tradeable pegged orders in the book, including orders at the NBBO (At The Touch orders) if the order qualifies.

*Pegged Order – Max Qty*

Max Qty will be introduced as an option allowing pegged orders to have a maximum trade volume.

- Max Qty will only be supported on pegged order types.
- Max QTY pegged orders will only interact with contra orders when the volume of the contra order is equal to or less than the maximum volume specified in the Max Qty pegged order. Contra orders with greater volume will be allowed to trade through the Max Qty order to interact with other pegged or lit orders in the book.
- On receipt, (while acting as an active order) Max Qty orders will interact with existing tradeable contra dark orders in the book regardless of volume.
- The Max Qty value will be specified on the pegged order using a new order tag. The tag will be populated with an integer multiplier value that will define the maximum quantity as the order's volume times the multiplier. (e.g. an order with volume of 200 shares having a multiplier value of 2 would define the maximum quantity value as 400 shares).
- The Max Qty option will be available in combination with the Post Only option.
- The Max Qty option will be available in combination with the Min QTY option.
- Notwithstanding the above stated behaviour, orders with the Max QTY option will maintain the same behaviour, restrictions and trading rules as the pegged order type to which the Max Qty option is applied.

*Broker Preferencing – for Non-attributed Dark orders*

The behaviour of pegged orders will be amended such that broker preferencing will be available and applied on active or passive dark orders including dark orders that are non-attributed (anonymous.)

- The addition of broker preferencing to anonymous dark orders will not change how the resulting trades are publicly reported. The unattributed side of the trade will remain unattributed.

Examples can be found on the CSE website:

<http://www.thecse.com/en/support/dealers/order-types-and-functionality>

**B. Expected Implementation Date:** Q3 2018 / Q1 2019

**C. Rationale and Analysis**

CSE is offering the At The Touch, Market on Open, Price Improved Only to Seek Dark and Broker Preferencing for Non-attributed Dark orders in response to customer demand. The demand is for the functionality as well as consistency with the other marketplaces in Canada that have offered similar order types and options. CSE is offering the Maximum Quantity option to provide customers with additional risk mitigation tools.

The use of these order type is optional for participants.

**D. Expected Impact**

The expected impact is a more seamless and simplified workflow for Industry stakeholders. The changes respond to customer demand, and provide competition with the offerings of other market places. The use of these order types is optional.

**E. Compliance with Ontario Securities Law**

There will be no impact on the CSE's compliance with Ontario securities law. The changes do not alter any of the requirements for fair access or the maintenance of fair and orderly markets.

**F. Technology Changes**

Clients already support most of these features on other Canadian marketplaces and therefore we do not anticipate there to be a material effort. The new order types are optional but would require minimal effort to implement.

**G. Other Markets or Jurisdictions**

The table below identifies on which markets the proposed functionality is currently available.

ORDER TYPE	MARKETS AVAILABLE
At The Touch	MatchNow, TMX
Price Improved Only Option for Seek Dark Order	MatchNow, TMX
Limit On Open	TMX
Pegged Order – Max Qty	None
Broker Preferencing – for Non-attributed Dark orders	MatchNow

**Comments**

Please submit comments on the proposed amendments no later than September 10, 2018 to:

**Mark Faulkner**

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