

TSX INC.

NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS

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

Market participants are invited to provide comments on the proposed changes. Comments should be in writing and delivered by May 8, 2017 to:

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Comments will be made publicly available unless confidentiality is requested. Upon completion of the review by Commission staff, and in the absence of any regulatory concerns, a notice will be published to confirm Commission approval.

Background

Market Makers provide value to all market participants by enhancing price discovery, liquidity, and market stability in the Canadian markets. While TSX believes its market making program continues to promote orderly markets and liquidity, the number of market structure changes in recent years has warranted a comprehensive review of the program. TSX believes that modifications to the program are necessary to promote the highest level of market quality from Market Makers, address policies and rules that are no longer applicable, and better align functional and financial incentives with balanced and relevant performance obligations. Ultimately, TSX's objective is to ensure that, as the marketplace and stock list continues to evolve, and market participants enter and exit the program over time, the TSX market making program will be dynamic enough to continue providing the highest level of service and market quality to the benefit of TSX-listed issuers and investors. In addition, it is important to promote increased and sustained diversity of Market Maker firms within the program and enable both existing and new firms to grow their market making business.

TSX is therefore proposing changes to the TSX Rule Book (the "Proposed Amendments") and to certain TSX marketplace functionality (collectively, the "Proposed Changes") to implement changes to TSX's market making program as outlined in this notice.

Proposed Changes

To further strengthen TSX's market making system, TSX's market making program is being expanded from a single Market Maker model to a dual Market Maker model whereby a TSX-listed security may have both a primary and secondary Market Maker assignment, each with specific market making obligations. Market

Makers that have the primary assignment on a security will be referred to as the “Primary Market Maker” on that security and Market Makers that have the secondary assignment on a security will be referred to as the “Secondary Market Maker” on that security.

Under TSX’s proposal, the current security assignment process and performance evaluation criteria for primary assignments under the new dual model (i.e., existing assignments under the current program) will not be changed. The proposal introduces requirements and processes specific and applicable to secondary assignments that consist of market making obligations, a security assignment process, performance evaluation criteria, and administration and enforcement processes. These new secondary assignment features aim to provide clear, measurable and transparent expectations for Secondary Market Makers, and an appropriate alignment of security assignments and incentives with Market Maker performance.

It is TSX’s intention to have the Primary and Secondary Market Makers operate in parallel under their own set of obligations and processes for a period of time to allow for existing (Primary) Market Makers to become familiar with and adjust to the new requirements associated with Secondary assignments and for TSX to evaluate the effectiveness of the dual model and Secondary Market Maker requirements. After this transition period, TSX intends to continue with having two Market Makers (i.e., a dual model) but have both Primary and Secondary Market Makers follow a single set of requirements and processes based on the Secondary Market Maker processes and requirements. This transition period is expected to be approximately two years.

The Proposed Changes comprise the following amendments to support enhancements to the market making program:

1. Changes to allow more than one Market Maker to be assigned to a security, including:
 - (i) Introduction of a security assignment process to assign a Secondary Market Maker to a security,
 - (ii) Introduction of specific performance obligations and evaluation criteria for Secondary Market Makers, and
 - (iii) Changes to Market Maker functionality, including to the Minimum Guaranteed Fill (MGF) facility, Responsible Designated Trader (also referred to as “Registered Trader” or “RT”) participation, and the odd lot facility, to reflect the addition of a Secondary Market Maker.
2. Changes to the MGF facility, including:
 - (i) The execution of MGF trades will be at the protected National Best Bid and Offer¹ (Protected NBBO) instead of at the TSX Best Bid and Offer (TSX BBO),
 - (ii) Introduction of pre-qualified MGF-Eligible Trader IDs,
 - (iii) Modification of the MGF eligibility criteria to reflect current routing practices, and
 - (iv) Changes to the method for calculating the minimum size of the MGF.
3. A clarification to the policy regarding improper use of the odd lot facility.
4. Reorganizing the rule and policy framework so that operational details relating to the market making program, including specific performance criteria, obligations, administration practices and allocation and enforcement processes will be more precisely defined in publicly available

¹ “Protected NBBO” has the same meaning as the term “CBBO”, as defined in the TSX Rule Book.

documents on the TSX website rather than in the TSX Rule Book (the “TSX Rules”). Further, conforming and editorial amendments, including a reorganization of the market making rules, are being proposed to provide drafting clarity and to remove provisions that are no longer applicable or necessary in the TSX Rules.

Please see Appendix A for a blackline of the Proposed Amendments and Appendix B for a clean version of the Proposed Amendments. The Proposed Changes and their rationale are outlined in more detail below.

Details and Rationale

1. Changes to allow more than one Market Maker to be assigned to a security

(i) Introduction of a security assignment process to assign a Secondary Market Maker to a security

The addition of a security assignment process for Secondary Market Makers is intended to promote high quality market making performance through increased competition for these security assignments. Similar to the assignment process for Primary Market Makers, TSX will assign secondary security assignments primarily through a fully competitive bidding process, which will also be used to establish the performance obligations for each security. In addition to the service level criteria currently submitted as part of a bid for a primary assignment (e.g., spread goals for a security), the security assignment process for Secondary Market Makers will take into account additional criteria, such as the percentage of time the TSX BBO is at the best bid and offer across all protected Canadian marketplaces (“% of Time at NBBO”) and the percentage of time a two-sided quote is provided in the 5 minutes before the opening (“Opening Presence”). Similar to the current assignment process for Primary Market Makers, certain scenarios exist whereby securities may be assigned using alternative methods, including for the assignment of related instrument securities such as warrants and rights, temporary assignments, and non-voluntary assignments. Issuers and TSX market quality are expected to benefit from this change, as having two committed Market Makers for a particular security will help contribute to overall liquidity and mitigate the impact of one Market Maker experiencing technical or other issues which may prevent them from temporarily performing their market making responsibilities.

While the security assignment process to assign a Primary and Secondary Market Maker will be different at first, it is anticipated that the two processes will harmonize into one security assignment process after the appropriate transition period. The transition period is meant to give existing Market Makers time to adapt to the new security assignment process.

Exchange Traded Funds (“ETFs”) will continue under the single Market Maker model used today and will only be assigned a Primary Market Maker.

(ii) Introduction of specific performance obligations and evaluation criteria for Secondary Market Makers

The performance obligations and evaluation criteria for Secondary Market Makers is based upon the existing Primary Market Maker obligations and criteria, with some updates made to reflect modern market structure and clarity of calculation. Currently, market making performance evaluation of Primary Market Makers is measured based on three criteria: the Market Maker’s ability to call a two-sided market (“Spread Goal Attainment”); the proportion of trading that occurs within the spread goal (“Liquidity”); and the degree to which a market maker is trading actively in its securities of responsibility to improve its trading liquidity for the benefit of the marketplace (“Participation”). The performance evaluation of Secondary Market Makers will be monitored and assessed under revised and additional criteria based on metrics such as % of Time at NBBO and Opening Presence, but not their trading activity. Unlike the current scoring system for Primary Market Makers where the level of success on each criteria is used to calculate an overall score, Secondary Market Makers will be assessed on whether there has been successful performance across each individual criteria. Furthermore, the threshold for removing a security from a Secondary Market Maker based on underperformance will be whether there has been underperformance on a security for any three

months during a rolling 12-month period (rather than the current threshold of underperformance on three consecutive months). Underperformance may also impact a Secondary Market Maker's eligibility for future assignments.

The revised performance evaluation criteria and processes are intended to provide for more robust monitoring and enforcement of market making performance, which is expected to contribute to tighter spreads and greater liquidity on TSX.

Similar to the security assignment process, it is anticipated there would eventually be one set of performance evaluation criteria after the appropriate transition period.

(iii) Changes to Market Maker functionality, including to the MGF facility, RT participation, and the odd lot facility, to reflect the addition of a Secondary Market Maker.

Both Primary and Secondary Market Makers will have MGF obligations and receive Participation benefits proportional to their committed MGF size. To reflect this, TSX proposes to apply the following functionality to accommodate two Market Makers on a security:

- Each Market Maker assigned to a security must maintain their individual MGF size. Each Market Maker will have the ability to adjust their individual MGF size intraday, within the specified MGF minimum and maximum sizes. The sum of both Market Makers' MGF sizes ("Total MGF") will be considered the official MGF size and broadcasted on public feeds. If this size changes, a public message will notify industry participants in real-time in the same manner as this is handled today.
- MGF orders receiving a fill will be allocated between both Market Makers according to a pro-rata allocation based on each Market Maker's individual contribution to the Total MGF size. TSX anticipates that the Total MGF will increase the guaranteed liquidity on a single venue available to market participants.
- Consistent with existing functionality, both Market Makers may optionally turn on Participation at their discretion and establish maximum volume allocations. If only one Market Maker turns on Participation at a given time, then that Market Maker will be allocated the full Participation eligible fill (up to 40% of the incoming order,² rounded to the nearest board lot). If both Market Makers turn on Participation at a given time, then the total Participation eligible fill remains at 40% of the incoming order, but will be allocated between both Market Makers according to a pro-rata allocation based on each individual contribution to the Total MGF size. TSX believes that this proportional allocation retains a direct and important balance between obligated liquidity via the MGF and the degree of incentive provided to Market Makers in exchange.
- Currently, there are situations whereby a Market Maker will not receive their full allocation of Participation fills. For example, if the Market Maker has a booked order with time priority over all other booked orders at that price level, an incoming order will trade against that booked order at that price level rather than generate an auto-participation order at that price level, even if the booked order volume is less than the allocated participation volume. TSX proposes to refine this functionality such that a Market Maker will also receive its full allocated Participation fill in such a scenario and in most other situations. This will serve to remove the current potential disincentive of a Market Maker to display orders when it could receive a larger fill through auto-participation only.
- Odd lot auto-fills will be allocated to both Market Makers based on a round robin allocation methodology (i.e., incoming odd lot orders will alternate between the two Market Makers).

² Except in the case of a 200-share order, the participation amount may be 50% as 100 shares are allocated to CLOB liquidity and 100 shares are allocated to Market Makers.

See the Proposed Amendments in Appendix A to Rule 4-602 and the drafting changes to Rules 4-604, 4-702 and Policy 4-802, which are required to reflect that more than one Market Maker may be assigned to a security.

2. Changes to the Minimum Guaranteed Fill (MGF) facility

(i) The execution of MGF trades will be at the Protected NBBO instead of the TSX BBO

Currently, MGF orders that execute against the Market Maker on TSX execute at the TSX Best Bid and Offer ("TSX BBO"). To provide the opportunity for better quality execution of MGF orders on TSX, the Proposed Amendments provide for all MGF orders to be executed at the Protected NBBO.

This change is being proposed as a result of demand from market participants seeking a guarantee of best price in addition to the guarantee of liquidity while routing order flow to TSX. While smart order router technology available today generally already checks that TSX is at the best price before routing an MGF order to TSX, the TSX BBO is, on average, at the Protected NBBO approximately 90% of the time³. Executing all MGF trades at Protected NBBO will allow market participants to send MGF orders with certainty that the order will be executed fully at the best market price.⁴

The rationale for implementing these changes is consistent with TSX and several other Canadian marketplaces offering odd lot executions at the Protected NBBO.

See the Proposed Amendments in Appendix A to Rule 4-603(2) and Policy 4-802(1).

(ii) Introduction of pre-qualified MGF-Eligible Trader IDs

To better prevent MGF fills on orders that the MGF facility was not intended to service, the MGF facility will only accept orders from MGF-eligible Trader IDs. To qualify as a "MGF-eligible Trader ID", participants must certify that the Trader ID will be used to send client orders that are either (i) from Retail Customers only (as defined by IIROC's Dealer Member Rules) or (ii) conforms to MGF-eligibility criteria outlined in Policy 4-802(1)(a). Orders that are not MGF-eligible and are sent through MGF-eligible Trader IDs must still be marked accordingly. By disqualifying orders from Trader IDs that are not MGF-eligible Trader IDs up front, TSX expects that improper MGF usage will decrease and Market Makers will feel comfortable committing to larger MGF sizes, thus providing larger guaranteed liquidity at the Protected NBBO for small size client orders.

See the Proposed Amendments in Appendix A to Rule 1-101 and Policy 4-802(1) and (2).

(iii) Modification of the MGF facility eligibility criteria to reflect current routing practices

Due to fragmentation of liquidity across multiple markets, most client orders are naturally broken up through smart order routing technology into multiple 'trade legs' and sent to each market, making such orders MGF ineligible under existing TSX Rules. The Proposed Amendments remove the restriction that a MGF order cannot be part of a larger (parent) order. This restriction was put in place prior to the current multiple marketplace and OPR environment that now necessitates the 'splitting' of orders into child orders to be compliant with regulations, and was originally intended to prevent a participant from intentionally splitting a larger order into multiple smaller orders in order to receive guaranteed fills from the Market Maker through the MGF facility. The Proposed Amendments instead implement criteria that enables orders that are part of a larger order to be eligible if: (i) the larger buy (sell) order is equal to or less than the specified MGF-

³ For example, for all TSX-listed securities during the period 2016-01-01 to 2016-12-31, the time-weighted average percent of time TSX was at the Protected NBBO across all Canadian marketplaces was 89.12% (Source: TMX Analytics).

⁴ In the case where Protected NBBO may be locked/crossed, the fill will occur at the TSX BBO.

Eligible Order Size; and (ii) the client buy (sell) order is sent to execute on the Exchange at the same time as the remainder of the larger buy (sell) order is sent to execute on other marketplaces.

The MGF-Eligible Order Size will be specified by TSX and will be a maximum of the sum of the ask (bid) size displayed across protected marketplaces at the Protected NBBO plus the MGF size for that security. Specifically, the MGF-Eligible Order Size would equal one of the following: (a) the MGF size for that security (i.e., the current requirement); (b) the sum of the ask (bid) size displayed on the TSX plus the MGF size; or (c) the sum of the ask (bid) size displayed across protected marketplaces at the Protected NBBO plus the MGF size. Upon implementation of the Proposed Changes, we anticipate that the MGF-Eligible Order Size will be set at (b), the sum of the ask (bid) size displayed on the TSX plus the MGF size.

If a market participant wishes a child order (that is part of a larger parent order) to be MGF-eligible, the market participant must check the size of the parent order to ensure that it is equal to or less than the MGF-Eligible Order Size and mark the child order accordingly to indicate that the size of the parent order has been checked. In absence of such a marking, TSX will assume that the order is the parent order that is being sent, in its entirety, to TSX for execution in the MGF facility. For such orders, TSX will validate that the order size is equal to or less than the MGF-Eligible Order Size. For greater certainty, if a market participant is unable to check the size of a parent order, then smaller child orders split from the parent order are not MGF-eligible and should be marked as such.

The restriction that multiple orders cannot be entered from the same client on the same security on a given day has also been removed to allow for cases where a retail client incidentally makes the same investment decision multiple times in one day. Orders from a client that is trading on an active and continuous basis continues to be MGF Ineligible per Policy 4-802(1)(a)(iii)(4).

The proposed changes are intended to allow for easier MGF integration into current smart order routing technology logic and to allow for small size client orders, for which the MGF facility was intended to serve but are MGF ineligible under the current rules, to now effectively interact with the facility. TSX believes such change rationalizes the MGF eligibility criteria and aligns with the original spirit and intent of the MGF facility. See the Proposed Amendments in Appendix A to Policy 4-802(1)(a).

(iv) Changes to the method for calculating the size of the MGF

The Proposed Amendments clarify that the size of the MGF for a particular security include MGF contributions from all Market Makers on that security. This change is intended to account for the additional MGF obligation from the addition of a Secondary Market Maker, and to offer greater guaranteed size available to fill small client orders. To further increase the guaranteed size available, TSX also intends to increase the current allowable maximum sizes allowed for the MGF, subject to publication and appropriate advance notice. TSX recognizes that, while the market making models on other Canadian marketplaces may not impose maximum guaranteed sizes, TSX feels that retaining a maximum allowable MGF size is important to ensure that displayed orders continue to have opportunity to trade.

The Proposed Amendments also remove the current method for calculating the MGF size specified in Policy 4-802(1)(b). The specified method is no longer necessary given that odd lot functionality is separately described in a later section. Setting MGF size according to two board lots less one share was meant to describe that odd lots were guaranteed a fill in addition to the MGF facility. This change is being made so that the MGF size may be quoted in round lot shares similar to a regular order (e.g., 100 shares) thereby simplifying TSX market participants' interactions with the MGF facility. Consistent with #4 below, the specific parameters around allowable MGF size will be removed from the TSX Rules and be appropriately reflected in market making program details publicly available on the TSX website.

See the Proposed Amendments in Appendix A to Policy 4-802(1)(b).

3. Clarification to the odd lot policy regarding improper use of the odd lot facility

Market Makers guarantee incoming tradeable odd lots at the Protected NBBO. TSX's current policy regarding the improper use of the odd lot facility provides that entering multiple odd lot orders on a specific security from a single account constitutes an improper use of the odd lot facility. The Proposed Amendments clarify that entering multiple odd lot orders on a specific security from multiple managed or discretionary accounts in connection with a single investment decision will also constitute an improper use of the odd lot facility. This clarification is being made because these orders should be similarly treated as a single mixed lot or board lot order (and allocated to each account by the dealer following execution).

See the Proposed Amendment in Appendix A to Policy 4-802(4).

4. Reorganizing the market making rule and policy framework

The Proposed Changes include a reorganization of the market making rule and policy framework so that certain operational details will be removed from the TSX Rules and be described and expanded upon in publicly available documents on the TSX website. Given the number of drafting changes proposed to update this rules and policy framework, a number of editorial changes and a reorganization of the sections in Division 6 of Part 4 of the TSX Rules are also being made to enhance drafting clarity and to remove provisions that are no longer applicable or necessary.

The Proposed Amendments remove the following administrative, operational and technical details from the TSX Rules:

- Details relating to the bidding process and the weighting of security assignments across categories of securities (Policy 4-601)
- Certain responsibilities of Market Makers, including requirements that are already contained in IIROC's Universal Market Integrity Rules (UMIR) (Policy 4-604)
- Administrative practices in which a Market Maker may relinquish one or more securities of responsibility (Rule and Policy 4-606)
- Specific criteria for evaluating performance of Market Makers and enforcement processes (Policy 4-607)

TSX believes that it is more appropriate to provide these detailed and technical requirements in a single, transparent, user-friendly format, in the form of a market making guide on the TSX website, rather than spread across the TSX Rules, various notices and supplementary information sources. This revised rule framework will provide TSX more flexibility to manage and modify the specific metrics and other details of the program as the market evolves over time, while enhancing transparency of how the market making program operates. Further, the format of the TSX Rules does not currently facilitate disclosure of specific metrics or operation details in a readable format, and disclosing such details on the TSX website would provide a more efficient and effective means to publish and communicate processes, policies, and changes as they arise. This approach is similar to the one taken by TSX and other marketplaces with respect to publishing technical functionality of the marketplace. For example, TMX's Order Types and Functionality Guide provides a comprehensive and consolidated view of how the TSX operates, which TSX believes benefits all marketplace participants. The proposed approach will allow TSX to continue its leadership in providing transparent and user-friendly information to its participants.

The TSX Rules related to market making have not been given a general update despite the number of changes over the years. In order to assist readability of the rules, the Proposed Amendments reorganize the sections related to market making and remove out-of-date and redundant provisions. See the following table of concordance which summarizes how the proposed rules compare to the existing version.

TABLE OF CONCORDANCE: TSX RULE BOOK – PART 4, DIVISION 6 – MARKET MAKERS

Current Section Reference:	Proposed Section Reference:	Summary of Change, If Any:
Rule 4-601 Appointment of Market Makers	Rule 4-602 Assignment of Securities	Remove details regarding the security assignment process. Details will be set out in publicly available materials.
Policy 4-601 Appointment of Market Makers	N/A	
Rule 4-602 Qualifications	Rule 4-601 Qualifications	Add requirement that a Market Maker must execute a Market Maker Agreement. Consolidate Rule and Policy 4-602 into Rule 4-601. Other drafting changes to assist readability.
Policy 4-602 Qualifications	Rule 4-601 Qualifications	
Rule 4-603 Failure to Obtain Approval	Rule 4-601(3)	No substantive change.
Rule 4-604 Responsibilities of Market Makers	Rule 4-603 Responsibilities of Market Makers	Consolidate Rule and Policy 4-604 into Rule 4-603. Drafting changes to remove redundant provisions.
Policy 4-604 Responsibilities of Market Makers	Rule 4-603 Responsibilities of Market Makers	
Rule 4-605 Stabilizing Trades	N/A	Repealed February 24, 2012
Policy 4-605 Stabilizing Trades	N/A	
Rule 4-606 Market Makers Leaving Securities of Responsibility	Rule 4-605 Market Makers Leaving Securities of Responsibility	Remove administrative details regarding the notice period and process for relinquishing securities. Details will be provided in publicly available materials.
Policy 4-606 Market Makers Leaving Securities of Responsibility	N/A	
Rule 4-607 Assessment of Market Maker Performance	Rule 4-604 Assessment of Market Maker Performance	Consolidate Rule and Policy 4-607 into Rule 4-604.
Policy 4-607 Assessment of Market Maker Performance	Rule 4-604 Assessment of Market Maker Performance	Remove details regarding performance evaluation criteria and enforcement processes. Details will be provided in publicly available materials.
Rule 4-608 Appointment of Specialist	N/A	Repealed July 23, 2004

Expected Date of Implementation

The Proposed Changes are expected to become effective by early Q4 2017.

Expected Impact

TSX believes that appropriate incentives are required to ensure the Canadian market continues to thrive and adequate support is provided to many of the smaller and growing Canadian companies listed on TSX. The Proposed Amendments and accompanying program structure contains several additional nuances that promote a healthy and viable market for Market Makers, investors, listed companies and TSX over the long term.

While it may be argued that the role of a Market Maker is less important for Canada's most liquid securities, Market Makers provide invaluable support for less liquid securities. The TSX market making program remains an important driver for price discovery and liquidity for less liquid securities and achieves this through careful structuring of program policies, which require that Market Makers commit capital to both liquid and less liquid security assignments in the current ratio of 1:4 respectively. This unique proposition creates additional and often overlooked commitments made by Market Makers in the form of additional costs and increased risks associated with non-borrowable securities, buy-in requirements, heightened volatility and longer position holding times. Therefore, the perceived benefits associated with market making for a liquid security are effectively balanced against the commitments associated with market making in less liquid securities at the same time.

Through this balance, the expected impact of the Proposed Changes are expected to enhance the quality of execution for all MGF-eligible investors' and market participants' orders through an increase in guaranteed liquidity at the Protected NBBO and a reduction in the need to seek liquidity across multiple venues. Through increased competition for security assignments, more robust processes for performance evaluation and an additional committed Market Maker per security, TSX also anticipates tighter spreads and more liquidity available across both liquid and less liquid securities in the TSX Central Limit Order Book (CLOB) to the benefit of all investors.

Expected Impact of Proposed Amendments on the Exchange's Compliance with Ontario Securities Law

The Proposed Changes will not impact TSX's compliance with Ontario securities law and in particular the requirements for fair access and maintenance of fair and orderly markets. All participating organizations can apply to be a Market Making firm, and can bid on both primary and secondary security assignments. Both Primary and Secondary Market Makers will have equal access to the trading benefits of being a TSX Market Maker. Each Market Maker is able to set its individual guaranteed size for the MGF facility within the prescribed minimums and maximums, which then directly determines the portion of the Participation benefit it can receive. While the security assignment process and performance evaluation processes may differ initially for Primary and Secondary Market Makers, this is a temporary transition period to allow for existing Market Makers to adapt, and it is anticipated that the processes will eventually harmonize.

Estimated Time Required by Members and Service Vendors to Modify Their Own Systems after Implementation of the Proposed Amendments

TSX is taking steps to minimize implementation requirements for market participants. There are expected to be no mandatory changes to participants' systems upon implementation of the Proposed Amendments. In order to benefit from the proposed enhancements to the MGF facility, Market Makers will have to ensure that they can send and receive MGF size messages electronically and support various Market Maker specific functionality. However, involvement in the market making program is optional. Liquidity-seeking participants and service vendors wishing to benefit from the proposed enhancements to the MGF facility are not required to do so under regulatory requirements, which provides additional flexibility with respect to timing for implementation.

In any event, detailed specifications will be published by TSX and testing facilities will be available well in advance of the implementation date so that participants will have ample opportunity to test any changes.

Do the Amendments Currently Exist in Other Markets or Jurisdictions?

All major global exchanges typically offer a market making program. TSX's current single market maker per security model is most similar to the New York Stock Exchange ("NYSE") market making model. In recent years, NYSE has also undertaken significant changes to its market making model, streamlining the obligations of market makers and revising performance metrics for which incentives are based upon to reflect a multiple marketplace environment. Nasdaq (US) maintains a differentiated model whereby multiple market makers (Designated Market Makers) are permitted to be assigned to each security with obligations applicable to each market making firm. Aequitas has received approval for their AEF facility to be launched April 20, 2017, which utilizes AEF-eligible Trader IDs to determine AEF order eligibility, similar to the TSX's proposed MGF-eligible Trader ID requirement.

The proposed enhancements to the TSX market making model would create a unique blend of both observed US models, while maintaining security-specific commitments unique to each security.

APPENDIX A

BLACKLINE OF AMENDMENTS TO TSX RULE BOOK

PART 1 - INTERPRETATION

1-101 Definitions

“DMR” means the Dealer Member Rules as adopted by IIROC or a predecessor or successor organization and approved by the applicable securities regulatory authorities and in effect from time to time.

Added (●, 2017)

“Market Maker Agreement” means an agreement entered into by a Market Maker and the Exchange which sets out the Market Maker’s obligations and the terms and conditions of the Exchange’s approval.

Added (●, 2017)

“MGF-Eligible Order Size” means the maximum order size of a buy (sell) order that is eligible for the MGF facility. This order size will be specified by the Exchange and will be no greater than the sum of the ask (bid) size displayed across protected marketplaces at the CBBO and the MGF size for that security.

Added (●, 2017)

“MGF-Eligible Trader ID” means an Approved Trader identifier certified by a Participating Organization and accepted by the Exchange that is:

(a) used to enter orders on behalf of Retail Customers only; or

(b) generally intended to be used to enter orders that are not MGF Ineligible Orders.

Added (●, 2017)

“MGF Ineligible Order” has the meaning ascribed to it in Policy 4-802(1)(a)(iii).

Added (●, 2017)

“Responsible Designated Trader” means an Approved Trader designated by a Market Maker Firm in accordance with ~~Policy 4-601(3)~~Rule 4-601(4).

Amended (●, 2017)

“Retail Customer” is as defined in the DMR.

Added (●, 2017)

PART 4 - TRADING OF SECURITIES

DIVISION 6 - MARKET MAKERS (AMENDED)

~~4-601 Appointment of Market Makers (Amended)~~

~~(1) — In order to have a reasonable market quoted for each listed security, the Exchange may from time to time allocate to a Market Maker specified securities of responsibility.~~

~~(2) — Repeal proposed August 9, 2002 (pending regulatory approval)~~

~~Amended (July 23, 2004)~~

~~Policy 4-601 Appointment of Market Makers~~

~~(1) — General Principles~~

~~The primary responsibilities of Market Makers are to maintain a fair and orderly market in their securities of responsibility and generally to make a positive contribution to the functioning of the market. Each Market Maker must ensure that trading for the Market Maker's own account is reasonable under the circumstances, is consistent with just and equitable principles of trading, and is not detrimental to the integrity of the Exchange or the market.~~

~~(2) Allocation of Securities~~

~~The Exchange shall assign securities of responsibility to Market Makers. Such assignment shall be made in accordance with criteria as described below and additional detail that may be set forth from time to time in notices to Participating Organizations. Since certain privileges are accorded to Market Makers, some securities may be regarded as desirable ones in which to have responsibility. Where two or more Market Makers are contending for assignment of responsibility, the Exchange shall make the determination.~~

~~There are two processes for allocating security assignments to Market Maker Firms: market-wide allocation assignments, and dealer-sponsored assignments. Under a market-wide allocation assignment, the Exchange publicizes the availability of an assignment of responsibility and then collects service level bids from interested Participating Organizations through a bidding process. Under a dealer-sponsored assignment, the Exchange receives a proposal from a Market Maker Firm to:~~

- ~~(i) exchange one or more securities of responsibility with another Market Maker Firm; or~~
- ~~(ii) transfer all of its securities of responsibility to another Market Maker Firm(s) in exchange for consideration if the Market Maker Firm is exiting the market making business.~~

~~The Exchange then collects a service level bid from the proposed Market Maker Firm. Under both assignment methods, the Exchange reviews the service level bid(s) in making its determination.~~

~~The Exchange categorizes listed securities according to "tiers" for certain purposes. These tiers are determined based on the level of trading activity in the securities. The two major tier categories are Tier A and Tier B. Securities that fall into the Tier A category are the most actively traded securities. Tier B covers securities that, on average, trade less actively. The Tiers are further divided into subtiers, again based on the level of trading activity.~~

~~Market Maker Firms are required to have a minimum number of security assignments as determined by the Exchange, which may be waived from time to time by the Exchange. Further, Market Maker Firms are required to maintain a minimum ratio of Tier B securities for each Tier A security that is assigned. The applicable ratio shall be adjusted periodically based on the ratio of the total number of Tier A securities to Tier B securities traded on the Exchange. Market Maker Firms are also not permitted to have greater than a specified percentage of security assignments within any given tier classification, unless otherwise permitted by the Exchange.~~

~~The Exchange retains the discretion to remove market making assignments, including, but not limited to, in circumstances where a Market Maker has been found to be non-compliant in accordance with Policy 4-607, and, in the case of a Market Maker Firm, where the Market Maker Firm undergoes a change in control.~~

~~(3) Responsible Designated Traders~~

~~A Market Maker Firm is required to designate a Responsible Designated Trader within the firm for each security that has been assigned by the Exchange to such Market Maker Firm. The Market Maker Firm must provide the Exchange with the names of all Responsible Designated Traders and their security assignments, and forthwith advise the Exchange of any changes to such information. Notwithstanding the appointment of Responsible Designated Traders, the Market Maker Firm will continue to be responsible for the market making obligations relating to the securities assigned to the firm.~~

~~(4) Temporary Assignments~~

~~On a periodic rotating basis (from month to month), Market Maker Firms are required to assume temporary responsibility for market making duties with respect to newly listed securities, and security assignments that have been discharged, until such time as those specific securities assigned to them on a temporary basis have been permanently assigned to a Market Maker.~~

~~Amended (December 1, 2004)~~

4-601 ~~4-602~~ **Qualifications (Amended)**

~~(1)~~ No Participating Organization shall be approved as a Market Maker Firm unless the Participating Organization:

~~(a)~~ (5) No person shall be approved as a Market Maker unless such person has demonstrated market making experience that is acceptable to the Exchange. ;

~~(6)~~ No Participating Organization shall be approved as a Market Maker Firm unless the Participating Organization:

~~(b)~~ (a) has provided sufficient trading desk and operations area support staff; and

~~(c)~~ (b) has installed ~~a terminal~~ sufficient technological tools acceptable to the Exchange that will permit it to properly carry out its market making responsibilities.

~~(c)~~ ~~Repealed (February 24, 2012)~~

~~Amended (February 24, 2012)~~

Policy 4-602 Qualifications

~~(1)~~ Designated Market Maker Contact

~~(2)~~ A Participating Organization may apply to be a Market Maker Firm and, if approved by the Exchange, must execute a Market Maker Agreement.

~~(3)~~ If an application for approval as a Market Maker Firm is refused, no further application for the Participating Organization shall be considered within a period of 90 days after the date of refusal.

~~(4)~~ Responsible Designated Trader

A Market Maker Firm is ~~Firms are~~ required to ~~have experienced personnel to effectively perform the market making assignments. In addition to appointing~~ appoint a Responsible Designated Trader for each security of responsibility, ~~a~~.

~~(5)~~ Designated Market Maker Contact

A Market Maker Firm ~~must~~ is required to designate an individual within the firm to manage the firm's market making responsibilities and to be the primary contact with the Exchange with respect to the firm's market making assignments.

~~Amended (e, 2017)~~

4-602 **Assignment of Securities**

~~(1)~~ The Exchange shall assign securities of responsibility to a Market Maker, and shall remove securities of responsibility from a Market Maker, in accordance with the Market Maker Agreement.

~~(2)~~ ~~Capital Requirements~~ The Exchange retains the discretion to remove market making assignments, including, but not limited to, circumstances where

~~Repealed (February 24, 2012)~~

~~4-603~~ **Failure to Obtain Approval (Amended)**

~~If an application for approval as a Market Maker is refused, no further application for the same person shall be considered within a period of 90 days after the date of refusal~~

- (a) a Market Maker has been found to be non-compliant with any Exchange Requirement or the Market Maker Agreement; or
- (b) the Market Maker undergoes a change in control.

Amended (~~July 23, 2004~~, 2017)

~~4-604~~ 4-603 Responsibilities of Market Makers (Amended)

(1) General Principles

The primary responsibilities of a Market Maker are to maintain a fair and orderly market in its securities of responsibility and generally to make a positive contribution to the functioning of the market. Each Market Maker must ensure that trading for the Market Maker's own account is reasonable under the circumstances, is consistent with just and equitable principles of trading, and is not detrimental to the integrity of the Exchange or the market.

(2) A Market MakersMaker shall trade on behalf of theirits own accountsaccount to a reasonable degree under existing circumstances, particularly when there is a lack of price continuity and lack of depth in the market or a temporary disparity between supply and demand-and in. In each of theirits securities of responsibility-shall, a Market Maker shall, in accordance with this Rule and the Market Maker Agreement:

- (a) contribute to market liquidity and depth, and moderate price volatility;
- (b) maintain a continuous two-sided market within the spread goal for the security agreed upon with the Exchange;
- (c) maintain a market for the security on the Exchange that is competitive with the market for the security on the other exchangesmarketplaces on which it trades;
- (d) perform theirits duties in a manner that serves to uphold the integrity and reputation of the Exchange;
- ~~(e) in the case of a Market Maker Firm, arrange for a back-up Responsible Designated Trader for each security assignment, and in the case of a Market Maker that is an Approved Trader, arrange for a back-up Market Maker, who in their absence, will carry out the responsibilities set out in this Rule;~~
- (e) (f) guarantee fills at the CBBO:
 - (i) for incoming tradeable odd lots and the odd lot portion of mixed lots; and,
 - (ii) for booked odd lots which become tradeable due to a change in the CBBO; and
- ~~(g) maintain the size of the Minimum Guaranteed Fill requirements agreed upon with the Exchange;~~
 - (iii) for incoming tradeable MGF-eligible orders;
- (f) (h) comply with the Exchange's Minimum Guaranteed Fill requirements-agreed upon with the Exchange, which include maintaining the size of the Minimum Guaranteed Fill and guaranteeing an automatic and immediate "one-price" execution of disclosed MGF-eligible orders at the price specified in (e);
- (g) (i) be responsible for managing the opening of theirits securities of responsibility in accordance with Exchange Requirements and, if necessary, for opening those securities or, if appropriate, requesting that a Market Surveillance Official delay the opening;
- ~~(j) assume responsibility for certain additional listed securities in accordance with applicable Exchange Requirements;~~
- (h) (k) assist Participating Organizations in executing orders; and

- (i) ~~(i)~~ assist the Exchange by providing information regarding recent trading activity and interest in ~~their~~ securities of responsibility.

~~Amended (October 15, 2012 and November 16, 2015)~~

Policy 4-604 Responsibilities of Market Makers

- (3) ~~(1) Gatekeeper Role - Assistance to Market Surveillance Officials and Participating Organizations~~

~~A Market MakersMaker shall report forthwith any unusual situation, rumour, activity, price change or transaction in any of their securities of responsibility to a Market Surveillance Official. As much as possible, Market Makers shall assist Participating Organizations' traders by providing them with information regarding recent trading activity and interest in their securities of responsibility. They shall assist traders in matching offsetting orders. Based on their knowledge of current market conditions, Market Makers shall, on a best efforts basis, identify anomalies in Participating Organizations' orders in the Book and bring them to the attention of those Participating Organizations or to the Exchange.~~

- (4) ~~(2) Availability and Coverage~~

~~Each Market Maker must ensure that its securities of responsibility are continuously monitored during the trading day. In this regard, Market Makers must have adequate back-up procedures and coverage by qualified individuals in cases of any absences due to illness, vacation or other reasons. a Market Maker must have adequate back-up procedures and coverage by qualified individuals in cases of any absences due to illness, vacation or other reasons.~~

- ~~(3) Maintenance of a Two-Sided Market~~

~~Market Makers must call a continuous two-sided market in their securities of responsibility. In order to assist them in carrying out this responsibility, Market Makers are given certain privileges and are exempted pursuant to Rule 3.1 of UMIR from the short sale rule when carrying out their market making obligations:~~

~~1. **Spread Maintenance**—Market Makers shall maintain the spread goal agreed upon with the Exchange in each of their securities of responsibility on a time-weighted average basis. The Exchange monitors spreads on an ongoing basis, and assesses the performance of Market Makers on a monthly basis.~~

~~2. **Relief from Spread Goals**—The initial establishment of a spread goal for a security is subject to negotiation between each Market Maker and the Exchange. The Market Maker shall notify the Exchange if the Market Maker is unable to maintain its spread goal. Any further changes to the spread goal are also subject to negotiation.~~

~~3. **Odd-lot Responsibilities—General**—Market Makers shall maintain an odd-lot market at the CBBO for immediately tradeable incoming oddlots. Booked oddlots which become tradeable due to a change in the CBBO will execute at the CBBO.~~

~~**Expiring Rights and Warrants**—Market Makers shall not be responsible for providing bids and offers for odd lots in rights and warrants within 10 days of the date of expiry of the right or warrant. If a Market Maker chooses to trade odd lots of such securities during this period, the Market Maker must do so at the board lot quotation unless prior consent of a Market Surveillance Official for a wider spread is obtained.~~

~~**Special Circumstances**—The above exemption is also available in any securities that are affected by special circumstances relative to that security. If a Market Maker wishes to call an odd-lot market at a different price than the CBBO, the prior consent of a Market Surveillance Official must be obtained.~~

~~4. **Relief from Responsibilities in Unusual Situations**—In extreme cases, such as illiquidity in a security on expiry of a take-over bid, a Market Surveillance Official may relieve a Market Maker from its responsibility to maintain a posted bid or offer. This exemption is also available when a Market Maker's obligation to post an offer would require it to assume or to increase a short position~~

in a security that the Market Maker cannot reasonably be expected to cover because of the relative liquidity of that security or lack of securities available for borrowing.

5. ~~Client Priority and Frontrunning~~

~~*Client Priority*—The in-house client priority rule in UMIR Rule 5.3 requires Participating Organizations to execute their client orders ahead of any non-client orders at the same price. This rule applies to trading by Market Makers. Market Makers may participate in trading with one or more of their firm's client orders if the Participating Organization obtains the express consent of the client(s) involved.~~

~~*Frontrunning Client Orders*—UMIR Rule 4.1 prohibits Participating Organizations, Approved Persons and persons associated with a Participating Organization from taking advantage of non-public material information concerning imminent transactions in equities, options or futures markets. Information about a trade is material if the trade would reasonably be expected to move the market in which the frontrunning trade is made. The frontrunning restrictions apply to Market Makers. Participating Organizations, Approved Persons and persons associated with a Participating Organization are prohibited from taking advantage of a client's order by trading ahead of it in the same or a related market. A trade made solely for the benefit of the client for whom the imminent transaction will be made, and a trade that is a bona fide hedge of a position that the Participating Organization has agreed to assume from a client, are exempt from the restrictions.~~

~~*Frontrunning in Options and Futures*—The restrictions further prohibit a frontrunning trade in the options or futures markets with knowledge of an imminent undisclosed material transaction in any of the equities, options or futures markets, including transactions by another Participating Organization. Again, a trade made solely for the benefit of the client for whom the imminent transaction will be made, and a trade that is a bona fide hedge of a position that the Participating Organization has assumed or agreed to assume from a client, are exempt from the restrictions.~~

~~*Tipping and Trading Ahead*—Participating Organizations and Approved Persons and persons associated with a Participating Organization are prohibited from tipping others about an imminent undisclosed material order to be executed for one of the firm's clients in any market, including the equities market.~~

The Participating Organization executing the order may, however, contact the Market Maker to ask for assistance (for example, to ask if the Market Maker knows of Participating Organizations who may want to take the other side of the trade). If details of an imminent material trade in one of their securities of responsibility have been disclosed by another Participating Organization to the Market Maker, the Market Maker is prohibited from trading ahead of that order unless the Market Maker receives the express consent of the Participating Organization involved.

~~6. *Client-Principal Trading*—Trades by Market Makers with clients of their Participating Organization, whether made pursuant to their market-making obligations or not, must comply with all UMIR Requirements governing client-principal trading.~~

~~**Amended (October 15, 2012 and November 16, 2015)**~~

~~**4-605—Stabilizing Trades (Repealed)**~~

~~**Repealed (February 24, 2012)**~~

~~**Policy 4-605 Stabilizing Trades (Repealed)**~~

~~**Repealed (February 24, 2012)**~~

~~**4-606—Market Makers Leaving Securities of Responsibility (Amended)**~~

~~A Market Maker intending to relinquish one or more securities of responsibility shall provide the Exchange with at least 60 days' prior notice in such form as may be required by the Exchange, **unless such notice period or part thereof is waived by the Exchange.**~~

~~**Amended (December 1, 2004)**~~

Policy 4-606 Market Makers Leaving Securities of Responsibility

For purposes of assessing the performance of a Market Maker Firm, scores of assignments relinquished with notice will be incorporated into the aggregate score of the firm. Pursuant to Policy 4-601(4), a security assignment which has been relinquished may be assigned by the Exchange on a temporary basis to a Market Maker Firm pending permanent assignment.

Without restricting the generality of Rule 4-606, the Exchange will consider waiving the 60 day notice period, or part thereof, where securities of responsibility are being assigned under a dealer-sponsored assignment.

Amended (December 1, 2004)

Amended (e, 2017)

4-607

4-604 Assessment of Market Maker Performance (Amended)

The Exchange shall review the approvals of all Market Makers at least once each calendar year and may review such approvals at other times.

Amended (July 23, 2004)

Policy 4-607 Assessment of Registered Trader Performance

(1) Review of Performance

The performance of each Market Maker ~~Exchange~~ shall be periodically reviewed by the Exchange, as provided in Rule 4-607. ~~The Exchange shall assess a Market Maker's performance and determine whether the Market Maker is adhering to Exchange Requirements and shall assess the degree to which the Market Maker had made a positive contribution to the market in its securities of responsibility over the period. In making this assessment, considerable weight shall be placed on the degree to which the Market Maker has:~~ its obligations under the Market Maker Agreement. The specific timing and criteria for reviewing the performance of a Market Maker shall be set out in the Market Maker Agreement.

- ~~(a) — maintained a two sided market in its securities of responsibility;~~
- ~~(b) — traded within the spread goals for its securities of responsibility;~~
- ~~(c) — traded actively in its securities of responsibility such that trading liquidity has been improved;~~
- ~~(d) — met such additional criteria as may be communicated by the Exchange.~~

~~(2) —~~ Criteria for Review

The Exchange shall consider ~~such performance or~~ the following conduct to be ~~unsatisfactory if the Market Maker has:~~

- (a) failure to meet the responsibilities set out in Rule 4-603 or the obligations in the Market Maker Agreement;
- (b) ~~(a) failed to meet the responsibilities set out in this Policy or~~ failure to act in a manner that is consistent with the general intent of any of the Exchange Requirements relating to Market Makers; or
- (c) ~~(b) engaged~~ engaging in any conduct, ~~manner of proceeding, or method of carrying on business~~ that is unbecoming of a Market Maker, that is inconsistent with just and equitable principles of trade, or that is detrimental to the Exchange or the public.

(2) ~~(3)~~ Penalties for Non-Compliance

Following a determination that a Market Maker has failed to satisfactorily perform its market making obligations, the Exchange may ~~recommend~~determine that:

- (a) a Market Maker's approval be suspended or revoked;
- (b) a Market Maker's responsibility for one or more securities be removed ~~and those reassigned~~; and
- (c) an investigation into a Market Maker's trading or activities be carried out.

~~(d) — Repeal proposed August 9, 2002 (pending regulatory approval)~~

~~Prior to making any such recommendation, the Exchange shall notify the Market Maker of cases of non-performance or unsatisfactory conduct and shall provide the Market Maker with the opportunity to remedy such deficiency. However, if the Exchange reasonably believes that the non-compliance of a Market Maker has compromised the fairness and integrity of the market, the Exchange may, in its discretion, remove the market making assignments from that Market Maker without delay.~~

~~Amended (July 23, 2004)~~ Amended (e, 2017)

4-605 Market Makers Leaving Securities of Responsibility

- (1) A Market Maker intending to relinquish one or more securities of responsibility shall provide the Exchange with prior notice, by such time and in such form as may be required by the Market Maker Agreement, unless such notice period or part thereof is waived by the Exchange.

Amended (e, 2017)

~~4-608 Appointment of Specialist (Deleted)~~

~~Deleted (July 23, 2004)~~

DIVISION 7 - OPENING

4-702 Delayed Openings

- (1) A security shall not open for trading if, at the opening time:
 - (a) orders that are guaranteed to be filled pursuant to Rule 4-701 cannot be completely filled by offsetting orders; or
 - (b) the COP exceeds price volatility parameters set by the Exchange.
- (2) ~~The~~A Market Maker or Market Surveillance Official may delay the opening of a security for trading on the Exchange if:
 - (a) the COP differs from the previous closing price for the security or from the anticipated opening price on any other recognized stock exchange where the security is listed by an amount greater than the greater of 5% of the previous closing price for the security and \$0.05;
 - (b) the opening of another recognized exchange where the security is listed for trading has been delayed; or
 - (c) the COP is less than the permitted difference from the previous closing price for the security, but is otherwise unreasonable.
- (3) **Repeal proposed August 9, 2002 (pending regulatory approval)**
- (4) If the opening of the security is delayed, the Market Maker or Market Surveillance Official, as the case may be, shall open the security for trading according to Exchange Requirements.

Amended (e, 2017)

DIVISION 8 - POST OPENING

4-802 Allocation of Trades

- (3) Subject to Rule 4-801(1) and Rule 4-801(2), a tradeable order that is entered in the Book and is not a Bypass Order shall be executed on allocation in the following sequence:
- (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
 - (b) to offsetting orders in the Book according to the time of entry of the offsetting order in the Book; then
 - (c) to ~~the~~ Market Maker if the tradeable order is disclosed and is eligible for a Minimum Guaranteed Fill.

Amended (e, 2017)

Policy 4-802 Allocation of Trades

- (1) MGF Facility

The MGF facility provides an automatic and immediate “one price” execution of Participating Organizations' MGF-eligible disclosed ~~client~~ market orders and MGF-eligible disclosed ~~client~~ tradeable limit orders, of up to the size of the MGF in the security at the ~~current displayed market price~~ CBBO. For ~~purpose~~ purposes of the MGF Facility, an MGF-eligible order means any client order ~~means any order~~ that does not satisfy the definition under Policy 4-802(1)(a)(~~iii~~) — MGF Ineligible Orders.

- (a) Obligations

- (i) Market Makers shall buy or sell the balance of an incoming MGF-eligible disclosed order at the ~~current market price~~ CBBO 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 disclosed orders on the opening that cannot be filled by orders in the Book.

(ii) MGF-eligible disclosed orders must be sent to the Exchange using an MGF-Eligible Trader ID.

(iii) (ii) MGF Ineligible Orders must be marked as MGF-NO, and are defined as orders that meet any or all of the conditions specified below:

1. If a client buy (sell) order is entered on ~~is entered on~~ sent to ~~sent to~~ the Exchange ~~in a size smaller than the MGF for that security, but~~ is part of a larger order ~~(including an buy (sell) order of that is split and sent to more than one marketplace for execution), or if multiple orders smaller than the MGF for a security are received from/entered by the same client, on a given day, the orders are MGF Ineligible.~~ client, the order sent to the Exchange is MGF Ineligible, unless:

a. the larger buy (sell) order is equal to or less than the MGF-Eligible Order Size; and

b. the client buy (sell) order is sent to execute on the Exchange at the same time as the remainder of the larger buy (sell) order is sent to execute on other marketplaces.

2. Any order entered by a Direct Market Access (DMA) client, whether an individual, or broker, is MGF Ineligible (unless the DMA client is a broker acting as an “agent” for retail client order flow).
3. Any client order generated by a computer algorithm is MGF Ineligible.
4. Generally any order from a customer who is involved in trading the markets directly on an active and continuous daily basis is MGF Ineligible.
5. Any order on behalf of a U.S. broker-dealer (“U.S. dealer”). This restriction does not include orders on behalf of a client of a U.S. dealer. See Policy 4-802(3) below.

(iv) If an MGF Ineligible Order is sent to the Exchange using an MGF-Eligible Trader ID, the order must be marked as MGF-NO.

MGF fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may cancel any trades deemed to be improper use of the MGF facility, or take such other action as the Exchange considers appropriate in the circumstances.

(b) Size of MGF

~~The minimum size of MGF is calculated as one share less than two board lots.~~ size of the MGF on an assigned security shall be the sum of all Market Makers’ individual MGF contributions for that security as published by the Exchange.

~~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).~~

(2) Market Maker Participation

At the option of ~~the~~a Market Maker, ~~the~~a Market Maker may participate in any disclosed immediately tradeable orders from both MGF Eligible Trader IDs and non-MGF Eligible Trader IDs (including non-client and MGF ~~ineligible orders~~ Ineligible Orders) that are equal to or less than the size of the ~~Market Maker's~~ MGF for the security. ~~The~~A Market Maker may participate ~~for 40%~~up to a percentage, specified by the Exchange, of the MGF eligible order at the bid price, the ask price, or both. While ~~the~~a Market Maker is participating, all disclosed client orders that are equal to or less in size than the MGF for the security, including those marked “MGF-NO” and sent from an MGF-Eligible Trader ID, shall be guaranteed a fill in the MGF facility. If ~~the~~a Market Maker is not participating, only disclosed MGF-eligible orders sent from MGF-Eligible Trader IDs shall be guaranteed a fill in accordance with the MGF eligibility criteria described in this Policy.

(3) Use of MGF by US Dealers

Orders on behalf of U.S. dealers to buy or sell listed securities are not eligible for entry into the MGF system. The orders (if they would otherwise be MGF-eligible) must be marked MGF-NO 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 are facilitating a trade for a client of that dealer (i.e. the dealer has already filled the client's trade in the US by acting as the counterparty to the trade, and is now offsetting that position on the Exchange) are not eligible for entry into the MGF system and must be marked MGF-NO.

(4) Oddlot Facility

Market Makers also guarantee incoming tradeable odd lots at the CBBO. ~~The~~^A Market Maker's responsibilities in regard to odd lots are the same as its responsibilities for MGF's. Participating Organizations are not permitted to: split larger orders from a single account into odd lots; enter multiple odd lots from a single account ([or from multiple accounts in the case of managed accounts or discretionary accounts](#)) on a specific security on a given day; or enter the odd lot portion of a mixed lot order immediately prior to entering the board lot portion.

Oddlot fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may cancel any trades deemed to be improper use of the Odd Lot facility, or take such other action as the Exchange considers appropriate in the circumstances.

Amended (February 24, 2012, ~~and~~ November 16, 2015, [and •, 2017](#))

APPENDIX B

CLEAN VERSION OF AMENDMENTS TO TSX RULE BOOK

PART 1 - INTERPRETATION

1-101 Definitions

“**DMR**” means the Dealer Member Rules as adopted by IIROC or a predecessor or successor organization and approved by the applicable securities regulatory authorities and in effect from time to time.

Added (●, 2017)

“**Market Maker Agreement**” means an agreement entered into by a Market Maker and the Exchange which sets out the Market Maker’s obligations and the terms and conditions of the Exchange’s approval.

Added (●, 2017)

“**MGF-Eligible Order Size**” means the maximum order size of a buy (sell) order that is eligible for the MGF facility. This order size will be specified by the Exchange and will be no greater than the sum of the ask (bid) size displayed across protected marketplaces at the CBBO and the MGF size for that security.

Added (●, 2017)

“**MGF-Eligible Trader ID**” means an Approved Trader identifier certified by a Participating Organization and accepted by the Exchange that is:

- (a) used to enter orders on behalf of Retail Customers only; or
- (b) generally intended to be used to enter orders that are not MGF Ineligible Orders.

Added (●, 2017)

“**MGF Ineligible Order**” has the meaning ascribed to it in Policy 4-802(1)(a)(iii).

Added (●, 2017)

“**Responsible Designated Trader**” means an Approved Trader designated by a Market Maker Firm in accordance with Rule 4-601(4).

Amended (●, 2017)

“**Retail Customer**” is as defined in the DMR.

Added (●, 2017)

PART 4 - TRADING OF SECURITIES

DIVISION 6 - MARKET MAKERS (AMENDED)

4-601 Qualifications

- (1) No Participating Organization shall be approved as a Market Maker Firm unless the Participating Organization:
 - (a) has demonstrated market making experience that is acceptable to the Exchange;

- (b) has provided sufficient trading desk and operations area support staff; and
 - (c) has installed sufficient technological tools acceptable to the Exchange that will permit it to properly carry out its market making responsibilities.
- (2) A Participating Organization may apply to be a Market Maker Firm and, if approved by the Exchange, must execute a Market Maker Agreement.
- (3) If an application for approval as a Market Maker Firm is refused, no further application for the Participating Organization shall be considered within a period of 90 days after the date of refusal.
- (4) Responsible Designated Trader
- A Market Maker Firm is required to appoint a Responsible Designated Trader for each security of responsibility.
- (5) Designated Market Maker Contact
- A Market Maker Firm is required to designate an individual within the firm to manage the firm's market making responsibilities and to be the primary contact with the Exchange with respect to the firm's market making assignments.

Amended (●, 2017)

4-602 Assignment of Securities

- (1) The Exchange shall assign securities of responsibility to a Market Maker, and shall remove securities of responsibility from a Market Maker, in accordance with the Market Maker Agreement.
- (2) The Exchange retains the discretion to remove market making assignments, including, but not limited to, circumstances where
- (a) a Market Maker has been found to be non-compliant with any Exchange Requirement or the Market Maker Agreement; or
 - (b) the Market Maker undergoes a change in control.

Amended (●, 2017)

4-603 Responsibilities of Market Makers

- (1) General Principles
- The primary responsibilities of a Market Maker are to maintain a fair and orderly market in its securities of responsibility and generally to make a positive contribution to the functioning of the market. Each Market Maker must ensure that trading for the Market Maker's own account is reasonable under the circumstances, is consistent with just and equitable principles of trading, and is not detrimental to the integrity of the Exchange or the market.
- (2) A Market Maker shall trade on behalf of its own account to a reasonable degree under existing circumstances, particularly when there is a lack of price continuity and lack of depth in the market or a temporary disparity between supply and demand. In each of its securities of responsibility, a Market Maker shall, in accordance with this Rule and the Market Maker Agreement:
- (a) contribute to market liquidity and depth, and moderate price volatility;
 - (b) maintain a two-sided market within the spread goal for the security;

- (c) maintain a market for the security on the Exchange that is competitive with the market for the security on the other marketplaces on which it trades;
 - (d) perform its duties in a manner that serves to uphold the integrity and reputation of the Exchange;
 - (e) guarantee fills at the CBBO:
 - (i) for incoming tradeable odd lots and the odd lot portion of mixed lots,
 - (ii) for booked odd lots which become tradeable due to a change in the CBBO; and
 - (iii) for incoming tradeable MGF-eligible orders;
 - (f) comply with the Exchange's Minimum Guaranteed Fill requirements, which include maintaining the size of the Minimum Guaranteed Fill and guaranteeing an automatic and immediate execution of disclosed MGF-eligible orders at the price specified in (e);
 - (g) be responsible for managing the opening of its securities of responsibility in accordance with Exchange Requirements and, if necessary, for opening those securities or, if appropriate, requesting that a Market Surveillance Official delay the opening;
 - (h) assist Participating Organizations in executing orders; and
 - (i) assist the Exchange by providing information regarding recent trading activity and interest in its securities of responsibility.
- (3) Gatekeeper Role - Assistance to Market Surveillance Officials
- A Market Maker shall report forthwith any unusual situation, rumour, activity, price change or transaction in any of its securities of responsibility to a Market Surveillance Official.
- (4) Availability and Coverage
- Each Market Maker must ensure that its securities of responsibility are continuously monitored during the trading day. In this regard, a Market Maker must have adequate back-up procedures and coverage by qualified individuals in cases of any absences due to illness, vacation or other reasons.

Amended (●, 2017)

4-604 Assessment of Market Maker Performance

(1) Review of Performance

The Exchange shall periodically assess a Market Maker's performance and determine whether the Market Maker is adhering to Exchange Requirements and its obligations under the Market Maker Agreement. The specific timing and criteria for reviewing the performance of a Market Maker shall be set out in the Market Maker Agreement.

The Exchange shall consider the following conduct to be unsatisfactory:

- (a) failure to meet the responsibilities set out in Rule 4-603 or the obligations in the Market Maker Agreement;
- (b) failure to act in a manner that is consistent with the general intent of any of the Exchange Requirements relating to Market Makers; or

- (c) engaging in any conduct that is unbecoming of a Market Maker, that is inconsistent with just and equitable principles of trade, or that is detrimental to the Exchange or the public.
- (2) Penalties for Non-Compliance

Following a determination that a Market Maker has failed to satisfactorily perform its market making obligations, the Exchange may determine that:

- (a) a Market Maker's approval be suspended or revoked;
- (b) a Market Maker's responsibility for one or more securities be removed; and
- (c) an investigation into a Market Maker's trading or activities be carried out.

Amended (●, 2017)

4-605 Market Makers Leaving Securities of Responsibility

- (1) A Market Maker intending to relinquish one or more securities of responsibility shall provide the Exchange with prior notice, by such time and in such form as may be required by the Market Maker Agreement, unless such notice period or part thereof is waived by the Exchange.

Amended (●, 2017)

DIVISION 7 - OPENING

4-702 Delayed Openings

- (1) A security shall not open for trading if, at the opening time:
- (a) orders that are guaranteed to be filled pursuant to Rule 4-701 cannot be completely filled by offsetting orders; or
 - (b) the COP exceeds price volatility parameters set by the Exchange.
- (2) A Market Maker or Market Surveillance Official may delay the opening of a security for trading on the Exchange if:
- (a) the COP differs from the previous closing price for the security or from the anticipated opening price on any other recognized stock exchange where the security is listed by an amount greater than the greater of 5% of the previous closing price for the security and \$0.05;
 - (b) the opening of another recognized exchange where the security is listed for trading has been delayed; or
 - (c) the COP is less than the permitted difference from the previous closing price for the security, but is otherwise unreasonable.
- (3) **Repeal proposed August 9, 2002 (pending regulatory approval)**
- (4) If the opening of the security is delayed, the Market Maker or Market Surveillance Official, as the case may be, shall open the security for trading according to Exchange Requirements.

Amended (●, 2017)

DIVISION 8 - POST OPENING

4-802 Allocation of Trades

- (3) Subject to Rule 4-801(1) and Rule 4-801(2), a tradeable order that is entered in the Book and is not a Bypass Order shall be executed on allocation in the following sequence:
- (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
 - (b) to offsetting orders in the Book according to the time of entry of the offsetting order in the Book; then
 - (c) to a Market Maker if the tradeable order is disclosed and is eligible for a Minimum Guaranteed Fill.

Amended (●, 2017)

Policy 4-802 Allocation of Trades

(1) MGF Facility

The MGF facility provides an automatic and immediate “one price” execution of Participating Organizations' MGF-eligible disclosed market orders and MGF-eligible disclosed tradeable limit orders, of up to the size of the MGF in the security at the CBBO. For purposes of the MGF Facility, an MGF-eligible order means any client order that does not satisfy the definition under Policy 4-802(1)(a)(iii) — MGF Ineligible Orders.

(a) Obligations

- (i) Market Makers shall buy or sell the balance of an incoming MGF-eligible disclosed order at the CBBO 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 disclosed orders on the opening that cannot be filled by orders in the Book.
- (ii) MGF-eligible disclosed orders must be sent to the Exchange using an MGF-Eligible Trader ID.
- (iii) MGF Ineligible Orders are defined as orders that meet any or all of the conditions specified below:
 - 1. If a client buy (sell) order sent to the Exchange is part of a larger buy (sell) order of that client, the order sent to the Exchange is MGF Ineligible, unless:
 - a. the larger buy (sell) order is equal to or less than the MGF-Eligible Order Size; and
 - b. the client buy (sell) order is sent to execute on the Exchange at the same time as the remainder of the larger buy (sell) order is sent to execute on other marketplaces.
 - 2. Any order entered by a Direct Market Access (DMA) client, whether an individual, or broker, is MGF Ineligible (unless the DMA client is a broker acting as an “agent” for retail client order flow).
 - 3. Any client order generated by a computer algorithm is MGF Ineligible.
 - 4. Generally any order from a customer who is involved in trading the markets directly on an active and continuous daily basis is MGF Ineligible.

5. Any order on behalf of a U.S. broker-dealer (“U.S. dealer”). This restriction does not include orders on behalf of a client of a U.S. dealer. See Policy 4-802(3) below.

(iv) If an MGF Ineligible Order is sent to the Exchange using an MGF-Eligible Trader ID, the order must be marked as MGF-NO.

MGF fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may cancel any trades deemed to be improper use of the MGF facility, or take such other action as the Exchange considers appropriate in the circumstances.

(b) Size of MGF

The size of the MGF on an assigned security shall be the sum of all Market Makers' individual MGF contributions for that security as published by the Exchange.

(2) Market Maker Participation

At the option of a Market Maker, a Market Maker may participate in any disclosed immediately tradeable orders from both MGF Eligible Trader IDs and non-MGF Eligible Trader IDs (including non-client and MGF Ineligible Orders) that are equal to or less than the size of the MGF for the security. A Market Maker may participate up to a percentage, specified by the Exchange, of the eligible order at the bid price, the ask price, or both. While a Market Maker is participating, all disclosed client orders that are equal to or less in size than the MGF for the security, including those marked “MGF-NO” and sent from an MGF-Eligible Trader ID, shall be guaranteed a fill in the MGF facility. If a Market Maker is not participating, only disclosed MGF-eligible orders sent from MGF-Eligible Trader IDs shall be guaranteed a fill in accordance with the MGF eligibility criteria described in this Policy.

(3) Use of MGF by US Dealers

Orders on behalf of U.S. dealers to buy or sell listed securities are not eligible for entry into the MGF system. The orders (if they would otherwise be MGF-eligible) must be marked MGF-NO 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 are facilitating a trade for a client of that dealer (i.e. the dealer has already filled the client's trade in the US by acting as the counterparty to the trade, and is now offsetting that position on the Exchange) are not eligible for entry into the MGF system and must be marked MGF-NO.

(4) Oddlot Facility

Market Makers also guarantee incoming tradeable odd lots at the CBBO. A Market Maker's responsibilities in regard to odd lots are the same as its responsibilities for MGF's. Participating Organizations are not permitted to: split larger orders from a single account into odd lots; enter multiple odd lots from a single account (or from multiple accounts in the case of managed accounts or discretionary accounts) on a specific security on a given day; or enter the odd lot portion of a mixed lot order immediately prior to entering the board lot portion.

Oddlot fills which occur in violation of the guidelines detailed above may be cancelled by the Exchange upon request by the Market Maker. Notwithstanding the above, the Exchange may

cancel any trades deemed to be improper use of the Odd Lot facility, or take such other action as the Exchange considers appropriate in the circumstances.

Amended (February 24, 2012, November 16, 2015, and ●, 2017)