



Via email: tsxrequestforcomments@tsx.com & marketregulation@osc.gov.on.ca

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Re: TSX Inc. Notice of Proposed Amendments and Request for Comments – MOC Modernization Proposal (“Proposal”)

Dear Denno Chen,

This comment letter is being submitted on behalf of RBC Dominion Securities Inc., and Capital Markets (“RBC” or “we”). We are writing in response to the joint Canadian Securities Administrators’ (“CSA”) and Investment Industry Regulatory Organization of Canada (“IIROC”). RBC appreciates the opportunity to provide comments in relation to the Proposed Amendments.

Globally, the closing auction continues to cement its place as the most critical liquidity event of the day. Asset managers across the investment spectrum have increased their participation in the auction to access liquidity and improve their trading performance. Given this phenomenon, it has become paramount for exchanges to adopt auction mechanics that empower market participants to engage the close with confidence. Currently, the TSX closing auction lags global peers in terms of transparency and flexibility. This tends to translate into less auction engagement from a number of market participants.

The current closing auction process allows for the imbalance information to only be published once at 15:40, without any further updates. This lack of transparency makes it difficult for market participants to understand how the auction is forming and limits their ability to reflect material changes into the continuous market. Further, without paired volume information, participants have a challenging time sizing closing auctions, and therefore accurately controlling their market impact – especially in less liquid names. Market participants that require certainty of execution by the end of the trading day often utilize Market-on-close (MOC) orders. However, these locked-in orders must be sent to the exchange twenty minutes before the close, which diminishes their ability to optimize execution and adapt to market conditions for an extended period. All of these factors increase the challenges of coordinating liquidity between the auction and continuous market – resulting in many avoiding the closing auction altogether.

The TSX has recognized that its closing auction requires modernization and has proposed a number of thoughtful changes to its behavior. Moving the initial imbalance to 15:50 increases its relevance and

aligns the Canadian close with the more liquid equity markets in the United States. Further, providing consistent updates and including paired volume will improve confidence with the auction and allow brokers to create better algorithmic solutions. Additionally, the ability to send MOC orders after distributing the prevailing imbalance should help build more liquidity in the auction. This will allow market participants working multi-day orders to be able to engage large imbalances with confidence that their orders will be completed.

There are a number of additional changes such as the randomization of the freeze period and late Limit-on-close behavior which will have to be studied in practice to better appreciate their effectiveness. The number of changes and their complexity will require broad education of all market participants. We commend TSX for engaging the community, aggregating perspectives and proposing constructive changes to their auction. We encourage them to continue to proactively educate market participants as these changes are brought to market. We hope to see more liquidity in and around the auction after these changes have been made, as opposed to volume simply migrating from the continuous market to a higher margin product for the exchange.

Thank you again for the opportunity to comment on the Proposed Amendments. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Best regards,

Thomas Gajer
Managing Director, RBC Dominion Securities Inc.

Cc:
British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Government of Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Provincial Government of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Department of Justice, Government of Nunavut