



Re: CSE - NOTICE & REQUEST FOR COMMENTS - CHANGES TO ODD LOT MATCHING

Ted Ellwood to: CSE Public Info, Mark Faulkner,
Marketregulation

05/09/2014 11:55 AM

Cc: adam.schmidt, robertcook, "John F. O'Donnell",
"eplexhome@sympatico.ca", Graham Murray

History: This message has been forwarded.

Thank you for the opportunity to submit commentary concerning the handling and execution of CSE odd-lots. Montana Gold Mining Company Inc. ("MGM" or the "Company") has been listed on the CNSX / CSE since 2011 as MGM and since 2006 under a former name. MGM is a reporting issuer in the Province of Ontario.

As a CSE issuer, the immediate execution and fairness of price represents the highest priority for our shareholders. In the past, we have witnessed deep discounts and premiums in the treatment of odd-lots and mixed lots, often to the chagrin of the shareholder, and with the recipient being the designated Market Maker, or odd-lot dealer.

Our opinion is that there is a distinct difference between the two designations, Market Maker and odd-lot dealer. Shareholders, and potential shareholders deserve the opportunity to participate in an Exchange issue at the same price as board-lot participants. The proposed amendments to Rule 4 introducing Guaranteed Fills and automatic odd-lot executions are a fair method for all to participate.

Securities without a Market Maker could be assigned an odd-lot dealer and Market Making would become a separate component as the responsibility of the issuer. The distinction of odd-lot dealers would help facilitate automatic execution in a transparent manner, in the absence of securities with bona-fide Market Makers.

Hopefully this helps to express my views and the importance of a fair structure for our shareholders and all those conducting transactions of any size on the CSE. Regards Ted

On Thu, Sep 4, 2014 at 3:47 PM, CSE Public Info <CSEPublicInfo@thecse.com> wrote:
NOTICE 2014-005 – NOTICE & REQUEST FOR COMMENTS – CHANGES TO ODD LOT MATCHING

September 4, 2014

The Canadian Securities Exchange (the "CSE" or the "Exchange") is proposing changes to the matching algorithm for orders less than a Standard Trading Unit (i.e., odd lots) that would result in odd lots trading any-part rather than all-or-none. The proposed change would be introduced along with the previously announced amendments to Rule 4 that provide for the Guaranteed Fill functionality for client orders and automatic execution for odd lot orders against Market Makers. The Exchange is publishing this Notice in

accordance with the process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendix B to the Exchange's recognition order.

Comments may be provided no later than October 6, 2014 and should be addressed to:

Mark Faulkner
Vice President, Listings and Regulation
CNSX Markets Inc.
220 Bay Street, 9th Floor
Toronto, ON, M5J 2W4
Fax: [416.572.4160](tel:416.572.4160)
Email: Mark.Faulkner@thecse.com

A copy should be provided to:

Susan Greenglass
Director, Market Regulation
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON, M5H 3S8
Fax: [416.595.8940](tel:416.595.8940)
Email: Marketregulation@osc.gov.on.ca

Terms not defined in this Notice are defined in the CNSX Rules.

Description of the Changes

Odd Lot orders are orders for a volume less than a Standard Trading Unit (UMIR) or "boardlot" (CSE) and are considered Special Terms Orders. In the CSE trading engine odd lots are currently matched on an all-or-none basis, and may trade outside the context of the current bid/ask. The Exchange is proposing to change the matching algorithm to allow odd lots to trade on an "any-part" basis, subject to price and time priority. Due to the all-or-none nature of Fill-or-kill orders, odd lots designated as FOK would no longer be accepted. Incoming odd lots will match with any odd lot orders in the book. For securities with a Market Maker, the incoming order will trade with any booked odd lot orders at a price better or equal to the existing bid/ask. Any balance will then be filled automatically by the Market Maker. For securities without a Market Maker, incoming odd lot orders will match with any orders in the book, based on the price/time priority.

Expected Implementation Date

The change will be implemented with the introduction of the Guaranteed Fill facility, anticipated to be on or about October 24, 2014.

Rationale and Analysis

On July 25, 2014, the Ontario Securities Commission approved the proposed amendments to Rule 4 to facilitate the introduction of the Guaranteed Fill facility and odd lot automatic execution against a Market Maker. By implementing this significant change our dealers will benefit from better-priced and timelier odd lot trading, easing the burden associated with this type of trading and providing better fills for retail clients attempting to trade odd and mixed lots. For securities without a Market Maker, however, the existing all-or-none matching would result in a disparity in the treatment of odd lot orders. The adoption of any-part trading for odd lots will reduce the disparity and improve the quality of fills on all securities, with or without Market Makers.

Expected Impact

None of the changes should introduce any additional costs to dealers. The change to the odd lot matching algorithm should result in improved fill quality on both odd lot only and mixed lot trades. As with any order that trades against multiple orders or at multiple prices, there is the potential for additional administrative charges. With this change, odd lot orders will have the potential to interact with more orders, which could result in an increased number of trades and in turn result in a slight increase in ticket costs. The potential to interact with more orders, however, also provides significantly better opportunity for fills for odd lot orders.

Compliance with Ontario Securities Law

There will be no impact on the Exchange's compliance with Ontario securities law. The changes do not alter any requirements for fair access and if anything, further assist with the maintenance of fair and orderly markets.

Consultation

It is the opinion of some Dealers that this change to odd lot matching engine was fairly minor and should be

made. The most significant feedback provided described engine performance as a top priority. Odd lot trading has been and continues to be a significant part of the trading business, so it must be accommodated. CSE dealers recognize the potential for an increased number of trades which may result in a slight increase in ticket costs, which comes with the opportunity of better odd lot executions.

Technology Changes

For CSE Dealers and technology vendors this modification will be minor. The bulk of the expense with respect to technology would be the responsibility of the CSE. The expectation is that no changes will be required with respect to order entry or routing.

Other Markets or Jurisdictions

Marketplaces generally offer either trade any part or all or none. Currently both matching algorithms exist in Canadian market structure.

Questions or comments about this notice or the amendments to Rule 4 may be directed to:

Mark Faulkner

Vice President, Listings & Regulation

[416.367.7341](tel:416.367.7341) or Mark.Faulkner@thecse.com

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