

Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 Neo Exchange Inc. – Request for Comments – Proposed Amendment to the Listing Manual

NEO EXCHANGE INC.

REQUEST FOR COMMENTS

PROPOSED AMENDMENT TO THE LISTING MANUAL

May 27, 2021

Introduction

Neo Exchange Inc. (“**NEO Exchange**” or “**Exchange**”) is publishing a proposed public interest rule amendment (the “**Public Interest Rule Amendment**”) to the NEO Exchange Listing Manual in accordance with Schedule 4 to its recognition order, as amended. The Public Interest Rule Amendment was filed with the Ontario Securities Commission (“**OSC**”) and is being published for comment. A description of the Public Interest Rule Amendment is set out below and the text of the Public Interest Rule Amendment are attached hereto as Appendix A. Subject to any changes resulting from comments received, the Public Interest Rule Amendment will be effective upon publication of the notice of approval on the OSC’s website.

Description of the Public Interest Rule Amendment

We propose to repeal subsections 2.05 (1) and 2.06 (1) of the Listing Manual, which sets out the Minimum Distribution requirements for Structured Products and Debt-Based Structured Products.

Expected Date of Implementation of the Public Interest Rule Amendment

NEO Exchange seeks to implement the Public Interest Rule Amendment in Q2 or early Q3 2021.

Rationale for the Public Interest Rule Amendment and Supporting Analysis

We are proposing to repeal the minimum distribution requirement for Structured Products to encourage issuers to consider this type of listing, and to align with TSX rules, which do not have the same requirement. All other minimum listing standards remain unchanged and consistent with TSX rules. Furthermore, debt-based Structured Products are generally denominated at \$1,000 face value per security. The current language introduces the ambiguity because the requirement can be read as requiring a minimum of 1,000,000 securities at \$1,000 per security face value for a total market value of \$1,000,000,000 as the minimum standard. This is a prohibitive standard for any issuer seeking to list such products on NEO. Finally, in the context of Structured Products, including debt-based ones, the Minimum Public Float Value requirement of \$1,000,000 is a sufficient proxy for the distribution requirement. Although NEO has not yet listed a structured product, we do not believe the imposition of a distinct minimum distribution requirement provides any additional protection to the investing public.

Expected Impact on Market Structure, Members, Investors, Issuers and Capital Markets

There is no anticipated impact on the market structure and a positive one on issuers and the capital markets generally, due to the positive impact on issuers’ ability to raise capital and meet exchange requirements.

Impact on Exchange's Compliance with Ontario Securities Law and on Requirements for Fair Access and Maintenance of Fair and Orderly Markets

The proposed amendments will not adversely impact the Exchange's compliance with Ontario securities laws, including requirements for fair access and maintenance of fair and orderly markets.

Impact on the Systems of Members or Service Vendors

The Public Interest Rule Amendment does not impact members or service vendors.

New Rule

The Public Interest Rule Amendment does not introduce any new feature.

Comments

Comments should be provided, in writing, no later than June 26, 2021 to:

Dmitri Smidovich
Head of Regulatory
Neo Exchange Inc.
65 Queen Street West,
Suite 1900
Toronto, ON M5H 2M5
dmitri@neostockexchange.com

with a copy to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8
marketregulation@osc.gov.on.ca

Please note that, unless confidentiality is requested, all comments will be publicly available.

Appendix A
Text of the Public Interest Rule Amendment

NEO EXCHANGE LISTING MANUAL
PART II. INITIAL LISTING REQUIREMENTS

2.05 Minimum Listing Standards – Structured Products

~~(1) Minimum Distribution—Public Float of 1,000,000 securities together with a minimum of 300 Public Security Holders each holding at least a Board Lot.~~

Repealed.

2.06 Minimum Listing Standards – Debt-Based Structured Products

~~(1) Minimum Distribution—Public Float of 1,000,000 securities together with a minimum of 300 Public Security Holders each holding at least \$1,000 of the debt-based Structured Product.~~

Repealed.