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Via Email

***Re: TSX INC. NOTICE OF PROPOSED AMENDMENTS AND REQUEST FOR COMMENTS – PROPOSED
AMENDMENTS TO THE MARKET ON OPEN AUCTION.***

Scotiabank appreciates the opportunity to comment on the proposal by TSX Inc. to introduce amendments to the TSX Rule Book to reflect certain proposed amendments to the Market on Open auction ("MOO")

The TSX has proposed the several amendments to the market-on-open auction. We comment on each individual item below:

Introduction of the Market-on-Open Order Type

The TMX in its analysis of global peers and opening auctions discovered that most modern markets offer a order marker that is specifically designed for the market on open. The TMX has proposed a new order parameter to fill this gap. We believe this new order type will address investor confusion related to accessing the opening auction, even though it offers functionality that is already available. We support the exchange in its effort to better align their order types with global standards.

Identification of Opening Trades & Enhanced Transparency for Market-on-Open

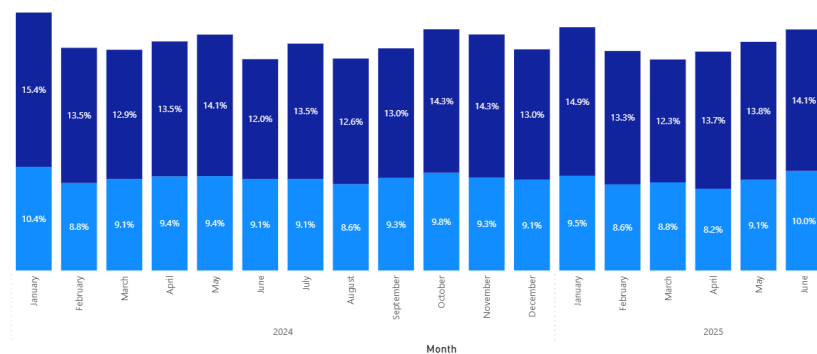
The TMX is proposing to disseminate volume imbalances and matched quantities during the pre-open session to allow for greater transparency into the opening auction. We believe this will be a valuable data point for the investment community, particularly assisting market makers with managing their market-on-open exposures. The proposed changes align with past changes to the Market on Close facility which has been a net positive for participants.

The proposal also includes a new flag for prints that were executed in the opening auction. This will be a useful marker for the community for post-trade reporting and analytics teams across the industry.

Odd Lot Execution at the Opening Price & Market Maker Obligation

In the current implementation, odd lot orders are traded at the opening protected NBBO, and not the calculated opening auction price. The changes proposed will require that designated market makers fill these odd lot orders at the prevailing calculated opening price.

Average % Odd Lots in MOO
TSX60 ● 0 ● 1



Odd lots have become a significant portion of the opening activity on the TSX. Our analysis of odd lot trading at the open reveals that approximately 14% of opening volume on S&P/TSX 60 names and just under 10% of opening volume on non-S&P/TSX 60 names are odd lots. Furthermore, in the past year over

70% of odd lot orders are printed at the prevailing NBBO when those odd lots printed at a dislocation from the calculated opening price. While this likely represents a significant reward for market maker participants in exchange for providing this liquidity, we believe that this dislocation is a bug rather than a feature.

We believe that executing odd lot orders at the calculated opening price rather than the protected BBO is the right thing to do for our marketplace. This change aligns Canada to both global standards and investor expectations. It further aligns behaviour with the treatment of odd lot orders in the TSX's market on close.

We commend the TMX Group for proposing this improvement to the investor experience in Canada. We support the proposal as presented.

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