

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.2 Marketplaces

#### 13.2.1 Notice of Commission Approval – Amendments to the Rules of the Toronto Stock Exchange to Allow Non-Displayed Orders of a Minimum Quantity to Have Trading Priority over Other Non-Displayed Orders

TSX INC. (TSX)

**AMENDMENTS TO THE RULES OF THE TORONTO STOCK EXCHANGE  
TO ALLOW NON-DISPLAYED ORDERS OF A MINIMUM QUANTITY  
TO HAVE TRADING PRIORITY OVER OTHER NON-DISPLAYED ORDERS**

**NOTICE OF COMMISSION APPROVAL**

On December 2, 2011, the Ontario Securities Commission approved amendments to Rules 1-101, 4-801 and 4-802 of the TSX to allow non-displayed orders (Dark Orders) of a certain size determined by the TSX (Minimum Quantity) to have trading priority over other Dark Orders without such a condition, provided the Dark Orders are at the same price. The amendments also introduce a definition of a Minimum Quantity.

The amendments were published for comment on July 8, 2011 for a 30 day comment period. No comments were received. Subsequent to their publication, the TSX made a non-material amendment to the definition of Minimum Quantity to clarify that it is the minimum size for the execution of an order. The TSX also made a consequential amendment to subsection (3) of TSX Rule 4-802 to clarify that the allocation of trades is subject to the priority of Dark Orders marked with a Minimum Quantity. The rule amendments blacklined to show the changes, are also published.

**AMENDMENTS TO THE RULES OF THE TORONTO STOCK EXCHANGE  
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TO HAVE TRADING PRIORITY OVER OTHER NON-DISPLAYED ORDERS**

**PART 1 - INTERPRETATION**

**1-101 Definitions (Amended)**

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“Minimum Quantity” means the minimum size for execution of an order which must not be less than such size as determined by the Exchange.

**Added (●, 2011)**

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**DIVISION 8 – POST OPENING**

**4-801 “Establishing Priority”**

- (1) A disclosed order shall be executed prior to an Undisclosed Order or any undisclosed portion of an order at the same price; an undisclosed portion of an order shall be executed prior to an Undisclosed Order at the same price; and an Undisclosed Order with a Minimum Quantity shall be executed prior to an Undisclosed Order without a Minimum Quantity at the same price.

**Amended (●, 2011)**

- (2) Subject to Rule 4-801(1) and Rule 4-802, an order at a particular price shall be executed prior to any orders at that price entered subsequently, and after all orders entered previously (“time priority”), except as may be provided otherwise.
- (3) An order shall lose time priority if its disclosed volume is increased and shall rank behind all other disclosed orders at that price.

**Amended (March 1, 2011)**

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**4-802 Allocation of Trades (Amended)**

- (1) ~~An~~Subject to 4-801(1), an order that is entered for execution on the Exchange may execute without interference from any order in the Book if the order is:
- (a) part of an internal cross;
  - (b) an unattributed order that is part of an intentional cross;
  - (c) part of an intentional cross entered by a Participating Organization in order to fill a client’s Special Trading Session order;
  - (d) part of an exempt related security cross, provided that the order is exempt from interference only to the extent that there are no offsetting orders entered in the Book, at least one of which is an order entered by the same Participating Organization, which can fill both the client’s order for the particular security, in whole or in part, and an equivalent volume of the client’s order for the related security. Orders in the Book will only be considered to be offsetting orders if the related security spread on execution of the clients’ orders against orders in the Book is equal to or more beneficial than the related security spread offered by the Participating Organization for the contingent cross arrangement;
  - (e) entered as part of a Specialty Price Cross; or

- (f) part of a Designated Trade.

**Amended (●, 2011)**

- (2) Subject to subsection (1), an intentional cross executed on the Exchange will be subject to interference from orders in the Book from the same Participating Organization according to time priority, provided that such orders in the Book are attributed orders.
- (3) ASubject to 4-801(1), 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.
- (4) A tradeable order that is entered in the Book and is a Bypass Order shall execute against the disclosed portion of offsetting orders in the Book according to the price/time priority established in Rule 4-801.

**Amended (March 1, ●, 2011)**