TSX INC.

NOTICE OF APPROVAL

AMENDMENTS TO TORONTO STOCK EXCHANGE RULE BOOK AND POLICIES

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information contained in Form 21-101F1 and the Exhibits thereto (the “Protocol”), TSX Inc. (“TSX”) has adopted, and the OSC has approved, amendments (the “Amendments”) to the TSX rule book and policies (the “Rules”). The Amendments are public interest amendments to the Rules. The Amendments, together with certain other changes to TSX marketplace functionality, were published for public comment in a request for comments on May 21, 2015 (“Request for Comments”).

Reasons for the Amendments

The Amendments are being made to reflect the following changes:

- The “Long Life order” will be introduced, providing priority benefits to those willing to commit their order to a minimum resting time; and

- Auto-executed odd lots will execute at the National Best Bid/Offer (“NBBO” or “CBBO”).

The objective of the new Long Life order type is to enhance the quality of execution for natural investors and their dealers – both retail and institutional – by rewarding those willing to commit liquidity to the book for a minimum period of time.

By choosing to use the Long Life order type, natural investors, their dealers and other non-latency sensitive participants will be able to more effectively and confidently participate in the markets, and better achieve priority in the book without having to compete on speed.

The changes to the pricing of auto-executed odd lot trades is intended to provide the opportunity for better quality execution of auto-executed odd lots on TSX.

The Request for Comments also identified other changes to TSX marketplace functionality, including changes with respect to the handling and execution of odd lots and mixed lots entered during the Pre-Open Session intended to provide participants with greater flexibility and better quality execution.

Summary of Comments and Text of the Final Amendments

TSX received five comment letters in response to the Request for Comments. A summary of the comments submitted, together with TSX responses, is attached at **Appendix A**.

TSX respects the public comment process and appreciates the value such public input provides. TSX thanks the commenters for their submissions.

No changes have been made with respect to the Amendments and other TSX marketplace functionality changes outlined in the Request for Comments.

The Amendments will be finalized in the form attached as **Appendix B**.

Effective Date

The Amendments will become effective on November 16**,** 2015.

It is anticipated that, as at the effective date of the Amendments, no securities will have been identified by TSX as being ‘Long Life Eligible’ under the Rules. Additional information pertaining to the implementation and roll-out of the Long Life functionality will be provided through a separate notice.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

1. BMO Nesbitt Burns (BMO)
2. Canadian Securities Traders Association (CSTA)
3. ITG Canada Corp. (ITG)
4. National Bank Financial (NBF)
5. Scotia Capital (SCI)

Capitalized terms used and not otherwise defined shall have the meaning given in the Request for Comments published on the OSC website on May 21, 2015.

Summarized Comments Received	***TSX Response***
Introduction of Long Life order attribute	
Commenters were supportive of the rationale behind the Long Life orders namely, to enhance the quality of execution for natural investors and their dealers (both retail and institutional) by rewarding those willing to commit liquidity to the book for a minimum resting time. (BMO, CSTA, ITG, NBF, SCI) A commenter also indicated that the queue priority provided by Long Life orders, in exchange for a minimum resting time and cancellation delay is an appropriate trade-off. (CSTA)	We acknowledge and appreciate the support from commenters.
Commenters were generally supportive of the proposed minimum resting time of 1 second, and the additional variable delay applicable to all cancels and amendments that is proposed to be less than 20 milliseconds and randomized. One commenter suggested reducing the minimum resting time to 200 milliseconds on the basis that it might be sufficient to reflect human reaction time, while being long enough to be impractical for latency-sensitive trading strategies. (BMO) This commenter, while supportive of the additional 20 millisecond delay for cancels and amendments, also offered the	We appreciate the support from commenters and acknowledge the suggestion from one commenter that the minimum resting time duration could be reduced. We intend to monitor how the Long Life order is used, and will seek feedback from participants regarding their experience with the delays as implemented. Adjustments will be made to the delay lengths, if warranted, to balance between the need for the delay to be short enough to be immaterial and non-disruptive to trading by those not employing latency-sensitive strategies, while being long

Summarized Comments Received	***TSX Response***
suggestion of replacing the minimum resting time with a longer 200 millisecond delay applicable only to cancels and amendments of Long Life orders that would, have the effect of ensuring that every Long Life order is committed for at least 200 milliseconds.	enough to be material to those employing latency-sensitive strategies and to discourage and reduce the placement of resting orders in the book for a *de minimis* period of time.
One commenter expressed support for queuing rather than rejecting cancellations of Long Life orders where the minimum resting time has not been met, but suggested that the TSX should monitor the levels of queued cancellation and amendments. This commenter suggested that the natural level of order queuing should be quite low, so an elevated level might indicate gaming. (NBF)	As indicated in the Request for Comment, the queuing of cancellations and amendments of Long Life orders where the minimum resting time has not been met is intended to reduce complexity for participants managing client flow that would otherwise need to handle reject messages if these amendments and cancellations were instead rejected back. We contemplated the risks of extended queue lengths as part of our capacity planning and have taken appropriate measures to manage it. We intend to monitor cancel / amendment behaviour to determine whether there may be a need for adjustments to minimum resting times or the variable delay to deter inappropriate behaviour.
Regarding the priority allocation benefits for Long Life orders, one commenter proposed making official market makers exempt from being bypassed by Long Life orders in order to let them fulfill their obligations without an impediment. (BMO) Another commenter suggested that Long Life priority would be of greater value to the market if was not secondary to broker preferencing. (ITG) This commenter suggested that a matching logic of Price/Long Life/Broker/Time would be more rewarding to providers of stable liquidity, and would likely result in a significant decrease in fleeting orders on highly liquid names.	As part of the initial development of the Long Life order, we had contemplated allowing all TSX Market Makers' resting orders (in their assigned symbols) to be treated as Long Life for priority purposes even if not marked as Long Life. Feedback received in the early stages of consultation indicated a lack of support for this idea. We will monitor the effect of the Long Life order on TSX Market Makers and will consider adjustments if warranted based on experience. At this time, we are not proposing to deviate from the standard for Canadian visible markets of providing broker priority after price. We note that within the broker preferencing priority allocation tier, Long Life orders of the same broker will be given priority over the non-Long Life orders of the broker. This should help to reduce incentives for trading strategies

Summarized Comments Received	*TSX Response*
	that use fleeting quotes to leverage broker preferencing opportunities as was suggested is the case by one commenter. We also note that Aequitas' trading model similarly provides priority for non-latency sensitive "NEO Traders" after Price and Broker in its Lit Book, however, it does not provide for preferencing of NEO Traders in the Broker priority tier as is being contemplated by TSX for Long Life orders from the same broker.
One commenter (CSTA) offered technical commentary for consideration, as follows:	
- The Long Life feature should be permitted for multi-day (GTC/GTD) orders.	The Long Life attribute can be entered on multi-day orders and GTC/GTD orders will receive the benefits of the Long Life feature. The priority benefits and cancellation and amendment restrictions will only apply during the Post-Open Continuous Trading session, regardless of when the order was first entered. Commencement of the minimum resting time will be determined based on the time the order is first entered into the TSX CLOB, regardless of whether a day order or multi-day order, and regardless of whether initially booked in the Pre-Open or Post-Open sessions.
- The Long Life designation should be permitted as an optional feature, and should not be implied in order entry.	This is consistent with our intended application. Orders must be identified as Long Life by the participant, and will not be defaulted to Long Life upon entry.
- While in agreement that Long Life orders should not be eligible for use with the "Cancel Oldest" and "Decrement and Cancel" Self-Trade Prevention (STP) features, it was suggested that where an order is entered with designations for both Long Life and one of the pre-mentioned STP attributes, the Long Life instruction should be ignored rather than the order being rejected. It was suggested that risk management features such as STP should take precedence over	We are of the view that implementing in the manner proposed (i.e., rejection of orders marked both Long Life and one of "Cancel Oldest" or "Decrement and Cancel") is most respectful of participant instructions in that it does not presume the participant's preference for the application of STP. Rejecting the order with the applicable reason code will instead give the participant the option of choosing to re-enter its order with either the STP or Long Life designation based on its own preference for either the risk management benefits afforded by STP, or the priority

Summarized Comments Received	*TSX Response*
optional features.	benefits applicable to Long Life orders.
- While supportive of the approach to allow for the use of Long Life orders in combination with the Self-Trade Management (STM) feature, it was suggested that TSX should monitor for undesired behaviour in the form of deliberate use of the STM feature to quickly cancel a Long Life order by triggering an intentional wash trade that would ultimately be suppressed from the public tape.	We agree that this potential outcome is not desired, and intend to monitor the use of the STM feature in combination with Long Life to identify misuse that may indicate a need to refuse this combination as is the case for the use of certain STP features together with Long Life.
Application of OPR in context of Long Life order	
Two commenters questioned the applicability of recently proposed guidance relating to OPR which would cause markets that impose a systematic order processing delay on liquidity-taking orders to be considered unprotected for OPR purposes.[1] (CSTA, ITG) Both commenters specifically referred to the situation where a resting Long Life order is to be amended to a marketable price via CFO, noting that the CFO instruction would not be effected immediately as it would be subject to the additional variable delay applicable to all amendments and cancels of Long Life orders. One of these suggested that declaring TSX to be an unprotected market in this context would be contrary to the intention of the both the CSA proposal and the Long Life order type (CSTA). This commenter suggested that in this scenario, the CFO should be viewed as two independent actions, being the cancellation of the pre-existing order (which would not trigger the OPR consequence under the CSA proposal) and the entry of a new marketable order. This commenter also indicated that this interpretation of the CFO instruction is consistent with the typical	We agree that the CFO in this case should be viewed as two separate instructions, being a cancel instruction followed by a new marketable limit order, and that it is the cancel instruction that is technically the subject of the delay. We also agree that this is consistent with how SORs would handle such a CFO instruction. Using the TSX SOR as an example, a CFO that would change the price of a resting limit order to a marketable price would be entered first as a cancel, followed by a new marketable limit order instruction that would be submitted once the confirmation of the cancelled order has been received back to the SOR from the marketplace. A SOR would logically break such a CFO into two separate instructions in order to manage OPR compliance (e.g., in the case of a resting bid that is to be changed to a marketable price, the SOR will need to first check which market(s) has the best offer and will need to handle the marketable limit order component separately). The recent CSA proposal does not result in the loss of OPR protected status for TSX as a result of the introduction of a delay on the cancelation or amendment of

[1] http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20150618_23-101_rfc-pro-amd-processing-delays.htm

Summarized Comments Received	*TSX Response*
functioning of many smart order routers (SORs).	resting Long Life orders. We agree with commenters that applying the recent CSA proposal in this way would be inconsistent with the CSA's intent. We note that TSX is <u>not</u> systematically and intentionally imposing this delay in the manner that triggered the proposal for additional regulatory guidance. The notice accompanying the proposed CSA guidance states: *…where there are order processing delays systematically built into the functionality of a marketplace, it is not reasonable to require marketplace participants to route orders to that marketplace for OPR compliance. The impact of the "speed bump" and the possible delay in execution could negatively impact execution quality and fill rates if liquidity providing orders disappear while the order routed to execute with displayed volume is delayed by the operation of the "speed bump". We believe it should be the choice of a dealer and / or their client to determine whether to route orders to such marketplaces.* In our view, the above is intended to address the effect of the recently approved Alpha and Aequitas NEO speedbumps through which participants' marketable orders will be forced into a systematically imposed speedbump by virtue of the applicability of OPR, with no other options for managing those orders. In contrast, there is no similar effect in the case of the example CFO of a Long Life order. A participant is not required for OPR compliance purposes to place the initial passive order as a Long Life order on TSX. In order for the scenario identified by the two commenters to arise, the participant would have voluntarily accepted the risk of a CFO being delayed when it chose to optionally designate its initial non-marketable limit order as Long

Summarized Comments Received	*TSX Response*
	Life. If a participant anticipates it will likely want to quickly amend the price of its non-marketable limit order to one which is marketable, it can choose to instead enter a standard visible limit order on TSX or on any other visible market, and it will make this choice having considered the trade-off between the commitments and benefits of Long Life orders.
Changes to odd lot execution	
Commenters were supportive of changes to the odd-lot execution facility, particularly the change to execute odd-lot orders at the NBBO instead of the TMX BBO. (NBF, CSTA, SCI)	We acknowledge and appreciate the support from commenters regarding the changes to the odd-lot execution facility.

APPENDIX B

TEXT OF FINAL AMENDMENTS TO TSX RULE BOOK

Part 1 Interpretation

“Canadian Best Bid Offer” or “CBBO” means the Canadian Best Bid and Canadian Best Offer.

Amended (November 16, 2015)

"Long Life Eligible" means a security which has been designated by the Exchange as eligible for long life priority and allocation benefits under these Rules.

Added (November 16, 2015)

"Long Life order" means a board lot or board lot portion of a mixed lot market or limit order that is: (a) entered for a security that has been identified by the Exchange as being Long Life Eligible; (b) identified by the participant as a Long Life order upon entry in the manner specified by the Exchange; and (c) is subject to Long Life Restrictions.

Added (November 16, 2015)

"Long Life Restrictions" means Exchange prescribed restrictions, applicable to a Session as specified by the Exchange, which prevent the amendment or cancellation of an order for a period of time specified by the Exchange.

Added (November 16, 2015)

Rule 4-604 Responsibilities of Market Makers (Amended)

(f) guarantee fills at the CBBO:

(i) for incoming tradeable odd lots and the odd lot portion of mixed lots; and

(ii) for booked odd lots which become tradeable due to a change in the CBBO.

Amended October 15, 2012 and November 16, 2015

Policy 4-604 Responsibilities of Market Makers

3. ***Odd-lot Responsibilities***—General—Market Makers shall maintain an odd lot market at the CBBO for immediately tradeable incoming oddlots. Booked oddlots which become tradeable due to a change in the CBBO will execute at the CBBO.

Special Circumstances—The above exemption is also available in any securities that are affected by special circumstances relative to that security. If a Market Maker wishes to call an odd-lot market at a different price than the CBBO, the prior consent of a Market Surveillance Official must be obtained.

Amended October 15, 2012 and November 16, 2015

Rule 4-801 "Establishing Priority"

(1) A Long Life order at a particular price shall be executed prior to an order that is not a Long Life order at that price ("long-life priority"), except in the case of an Undisclosed Order, in which case no long-life priority is provided.

Added November 16, 2015

(2) Subject to Rule 4-801(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 January 13, 2012 and November 16, 2015

(3) Subject to Rule 4-801(1), Rule 4-801(2), 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.

(4) 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 and November 16, 2015

Rule 4-802 Allocation of Trades (Amended)

(1) Subject to 4-801(1) and 4-801(2), an order that is entered for execution on the Exchange may execute without interference from any order in the Book if the order is:

Amended January 13, 2012 and November 16, 2015

(3) Subject to 4-801(1) and 4-801(2), a tradeable order that is entered in the Book and is not a Bypass Order shall be executed on allocation in the following sequence:

Amended January 13, 2012 and November 16, 2015

Policy 4-802 Allocation of Trades

(4) Oddlot Facility

Market Makers also guarantee incoming tradeable odd lots at the CBBO. The Market Maker's responsibilities in regard to odd lots are the same as its responsibilities for MGF's. Participating Organizations are not permitted to: split larger orders from a single account into odd lots; enter multiple odd lots from a single account on a specific security on a given day; or enter the odd lot portion of a mixed lot order immediately prior to entering the board lot portion.

Amended February 24, 2012 and November 16, 2015

Rule 4-901 General Provisions (Amended)

(3) Except as otherwise provided, the normal rules of priority and allocation, as applicable, and all other Exchange Requirements shall apply to the Special Trading Session.