

November 30, 2020

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Re: TSX Market-On-Close Modernization Proposal - Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto

BMO Capital Markets<sup>1</sup> is writing to provide its views on the TSX proposal to allow for the implementation of the new Market-On-Close (“MOC”) facility.

Robust liquidity and transparency of market information have always been hallmarks of efficient and effective trading. As the proposal notes, an increasing proportion of the total trading volume is now being executed during opening and closing auctions, which have themselves become significant liquidity events. We believe that improving the auction process, thereby promoting more informed and effective trading in auctions, will allow BMO Capital Markets and other broker-dealers to, among other things, more effectively position clients’ orders into the close. We therefore support the goals of the proposal and the overall framework of the proposed changes to the current MOC regime.

On a preliminary note, we encourage TMX to implement the new MOC facility on a timely basis. The changes to the MOC process is important for many facets of the execution of orders and the

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industry has put much effort towards seeing that such reform occurs. At the same time, we encourage the industry to do what is necessary to facilitate the timely implementation of the revised facility.

Our specific comments follow.

## **I. Importance of Increased Transparency and Alignment with Global Markets**

As noted above, the need for increased transparency of information relating to trading, including how orders are routed and executed, remain critical to an efficient market structure. In order to make important decisions about how to handle, route and execute orders, market participants need to have the right information available.

Along these lines, we support changes to the MOC facility to increase transparency around MOC imbalances. More information around imbalances, and increasing the frequency of dissemination of such information, will allow traders to make more informed decisions during the closing session and can help advertise and solicit liquidity into the MOC book.

Similarly, encouraging participation of investors, both domestically and globally, will be important for a liquid and robust MOC facility. The current structure of the MOC facility does not promote such a goal due to the differences in the model from similar auction models in other jurisdictions. Aligning the timing associated with the start of the auction, as well as the parameters around the types of orders allowed to be entered, all will go far to rectify the differences with closing facilities in other jurisdictions, particularly better aligning the closing auction with that in the United States.

## **II. Importance of Better Consistency Around Execution**

The proposed MOC facility contains a “Freeze Period” with a randomized start, which will begin simultaneously across all symbols at a random point between 3:56pm and 3:57pm. The Freeze Period itself is intended to solicit last minute price stabilizing offsetting liquidity to the auction, prevent unexpected price and imbalance movements, and dampen volatility leading up to the close - concerns that exist under the current auction regime. The randomized start time is intended to mitigate speed advantages.

To the extent that the Freeze Period does reduce volatility and levels the playing field for investors and other market participants, we believe this could benefit the markets overall and result in more efficient executions. We look forward to examining the performance of the MOC facility after implementation to study its impact on volatility and how the MOC facility is being utilized by various types of market participants.<sup>2</sup>

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<sup>2</sup> We understand that there have been some questions raised about the order matching priority under the proposed MOC facility, particularly around late Limit On Close (“LOC”) orders, and the need for clarity around how such orders will be executed. To the extent clarification is needed to ensure the fair and efficient execution of orders, we support TMX making any such necessary changes prior to implementation.


Mr. Denno Chen  
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BMO Capital Markets offers its assistance to the TMX and the OSC as it examines the proposal. If you have any questions on our comment letter, please feel free to contact Joe Wald at [Joseph.Wald@bmo.com](mailto:Joseph.Wald@bmo.com) or at 212-531-8575, or Ray Ross at [Raymond.Ross@bmo.com](mailto:Raymond.Ross@bmo.com) or at 212-531-8577.

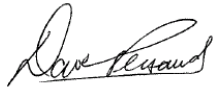
Sincerely,



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