



July 14, 2021

**VIA EMAIL**

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**Re: TSX Inc. Notice of Proposed Amendments and Request for Comment – Addition of New Definitions to TSX Rulebook (“Notice”)**

Dear Ms. Tikhomirova:

Nasdaq CXC Limited (“Nasdaq Canada” or “we”) welcomes the opportunity to provide comments on the TSX Proposal to introduce the use of a new methodology for determining and defining the TSX Last Ask Price, TSX Last Bid Price, and TSX Closing Price (together, Closing Definitions and the TSX Proposal). We recognize these changes will create reference pricing that is more reflective of the net asset values of thinly traded Exchange Traded Funds (ETFs) and agree with the stated rationale that more accurate valuations benefit participants and investors – in particularly dealers and their clients when marking portfolios to market at the end of the day. Recognizing these benefits, we encourage the TSX to make the following changes to the TSX Proposal to ensure benefits are maximized for investors:

- i) Expand the scope of the TSX Proposal to include illiquid securities other than ETFs, and
- ii) Include consolidated data when calculating the Closing Definitions to ensure reference pricing is the most accurate.

We understand there has been industry concern about the challenges of benchmarking illiquid securities when relying on last sale information that may have occurred hours, if not days before the end of a trading day. Recent advocacy from the Investment Industry Association of Canada has raised awareness about this issue and solutions have been presented to listing exchanges that define a security’s closing price to address the issue. Given the high number of illiquid securities in Canada, the use of time weighted average pricing to determine the last price of a security is a positive development. In the event where a trade does not occur near the close, using a TWAP methodology where bids and offers are weighted based on their proximity to the close provides a more accurate picture of supply and demand. Therefore, we are supportive of the TSX

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Proposal which will serve as an additional example of a listing exchange taking steps to address the benchmarking issue for illiquid securities. The TSX Proposal follows a similar approach used today by NEO Exchange where the TWAP of the midpoint of the NBBO is used to determine the last sale price where a trade has not occurred in the last 15 minutes. Recognizing the benefits of the current TSX Proposal which is limited to ETFs we suggest the following two changes are incorporated in the final version to ensure maximum benefits are brought to investors.

I) THE METHODOLOGY FOR THE CLOSING DEFINITIONS FOR ETFs SHOULD BE EXPANDED TO INCLUDE ALL OTHER SECURITIES.

Recognizing that the current TSX Proposal will help address the potential dislocation between the last sale of an ETF and its NAV, we suggest that the methodology for calculating the Closing Definitions be expanded to include all TSX – listed securities given that similar end of day benchmarking issues exist today for illiquid securities other than ETFs. We also encourage TMX Group to make a similar change to the rule book of the TSX-V which also supports the listing of a large number of illiquid names.

II) CONSOLIDATED DATA SHOULD BE REQUIRED WHEN CALCULATING CLOSING DEFINITIONS.

The rationale for using a TWAP calculation is to create a more reflective bid/ask value for a security by incorporating and considering more pricing points. However, in order to determine the market's value for a security based on TWAP order and trade information from all marketplaces must be considered as price discovery takes place across multiple trading venues. Ignoring order and trade information from other marketplaces will result in inaccurate and distorted reference pricing being used.

For this reason, it is of critical importance that consolidated order and trade information is considered in the calculations to determine the Closing Definitions intended to serve as standardized reference prices in the TSX Proposal. In the past there have been issues around and concerns expressed about marketplaces not being given access to other marketplace data which may explain why the TSX Proposal's use of market data is limited to TSX data. We see no basis for this concern as Canada's fair access rules should provide for access to market data by any party under commercial terms. Furthermore, NEO Exchange serves as precedent today for the use of consolidated NBBO information in determining a closing price. More recently the TSX was approved to introduce a TSX alternative closing price requiring the use of consolidated market data from all marketplaces to calculate the official TSX closing price in the event of a systems issue. We therefore urge the TSX to amend the TSX Proposal to include the use of NBBO data. If, in the event that this decision is not made, we appeal to the OSC to make the use of consolidated data a requirement for the TSX Proposal as the creation of accurate reference last sale information is a matter of investor protection and market efficiency.

We thank the OSC for the opportunity to provide comments and would welcome the opportunity to discuss our views further with the TSX or with staff.

Sincerely,

Nasdaq Canada