

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 TSX Inc. and TMX Select Inc. – Notice of Proposed Changes and Request for Feedback – Cancel on Disconnect

TSX INC. AND TMX SELECT INC.

NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

CANCEL ON DISCONNECT

TSX Inc. and TMX Select Inc. are publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, market participants are invited to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **November 14, 2011** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

And to:

Deanna Dobrowsky
Director, Regulatory Affairs
TMX Group Inc.
The Exchange Tower
130 King Street West, 3rd Floor
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
e-mail: tsxrequestforcomments@tsx.com

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

**TSX INC. AND TMX SELECT INC.
NOTICE OF PROPOSED CHANGES**

TSX Inc. and TMX Select Inc. (TMX Select) are publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Any questions regarding these changes should be addressed to Deanna Dobrowsky, Director, Regulatory Affairs, TMX Group Inc.: tsxrequestforcomments@tsx.com, tel: 416-947-4361

Cancel on Disconnect Functionality (TSX, TSXV and TMX Select)

Description of Proposed Changes and Reasons for Changes

Cancel on Disconnect functionality is being introduced to allow an automated cancellation of orders in the event of involuntary loss of connectivity between TMX and the client site. Cancel on Disconnect is an optional, automated function configurable by session bundle. When triggered on an order entry session bundle enabled for COD, the session bundle will be blocked and all open day orders associated with the blocked session bundle will be cancelled. All cancellation messages will be kept in the queue and will be delivered to the client when the session is unblocked and the client requests recovery after reconnecting with the gateway.

Impact of the Changes

This functionality will assist traders in mitigating risks associated with having open orders exposed in the book that cannot be managed when there is an involuntary loss of connectivity. This functionality will be available for all gateway sessions connecting to TSX, TSXV and TMX Select. Traders subscribing to this optional feature will be able to better manage their open orders and reduce their risk profiles and exposure more efficiently.

Consultation

TSX, TSXV and TMX Select are introducing this feature in response to customer demand.

Consideration of Alternatives

A mass cancel feature requiring manual intervention was considered, but it was determined that this would be less effective than an automated feature. Customer demand analysis from electronic firms and direct market access clients suggests that the automated cancel on disconnect feature should be standard functionality for any execution venue in today's electronic and fragmented marketplace.

Existence of Proposed Change in the Market

Cancel on disconnect functionality has become a standard offering across most major North American market centres. Orders and/or sessions with cancel on disconnect features are available on all of the major U.S. exchanges. In Canada, cancel on disconnect functionality is offered by Alpha (at the order level) and Chi-X (at the gateway session level).