

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 TSX Inc. Notice – Approval of Amendments to the Rules of the Toronto Stock Exchange (Exchange) for Marketplace Trade and Message Reporting on the Exchange

TSX INC. NOTICE

APPROVAL OF AMENDMENTS TO THE RULES OF THE TORONTO STOCK EXCHANGE (EXCHANGE) FOR MARKETPLACE TRADE AND MESSAGE REPORTING ON THE EXCHANGE

Introduction

In accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals between the Ontario Securities Commission (OSC) and Toronto Stock Exchange (Protocol), TSX Inc. (TSX) has adopted and the OSC has approved certain amendments (Amendments) to the provisions in the Rules of the Toronto Stock Exchange (Rule Book). The Amendments will become effective on March 10, 2006.

Substance

The Amendments confirm that trades or messages received from another marketplace are considered to be completely separate and distinct from, and will not interact with, orders entered on the Exchange by a Participating Organization. The Amendments introduce two new terms: “Marketplace Match” and “Marketplace Message”, that represent trades or messages sent by another marketplace to the Exchange to be reported. The Amendments confirm that Marketplace Matches and Marketplace Messages do not interact with Participating Organization order flow on the Exchange. A new Rule 1-105 confirms that Marketplace Matches and Marketplace Messages are not subject to Parts 2 to 8 of the Rule Book.

The Amendments also make housekeeping changes to delete defined terms and provisions that are no longer needed or used. For example, references to eVWAP and POSIT in the Rule Book are being deleted as these services are not offered on the Exchange.

Purpose

TSX Group Inc. has been approached by various marketplaces to assist them in their data distribution and connectivity needs. Specifically, certain marketplaces have expressed the desire to report their executed trades and possibly their unexecuted orders through the facilities of a TSX exchange, in order that the resulting data can be fed out to market data vendors, Market Regulation Services Inc., and the Canadian Depository for Securities Ltd., as appropriate. Linkages between marketplaces and the Exchange can be economical for marketplaces that choose to use existing TSX infrastructure for their trade and message reporting, data distribution, and other connectivity needs.

In order for another marketplace to report an executed trade or message on the Exchange, the marketplace trades and messages will be identified and marked to ensure that the marketplace trades and messages do not interfere with, and are not interfered by, orders entered on the Exchange by Participating Organizations. The Rule Book is being amended to confirm that these marketplace trades and messages do not interact with orders entered on the Exchange by Participating Organizations, and that they are not subject to the provisions in the Rule Book.

Non-Public Interest Rule

The Amendments are not considered to be a “public interest” rule. The Amendments confirm that trades and messages received from a marketplace to be reported on the Exchange will not interact with order flow sent to the Exchange by Participating Organizations. The Amendments do not affect in any way the manner in which investors, Participating Organizations, registered traders, or any other marketplace participants trade on the Exchange. In fact, the purpose of the Amendments is to confirm that all trading on the Exchange remains the same. TSX’s decision to provide a reporting facility to other marketplaces is a business decision that in no way affects the regulatory functions of the Exchange. The Amendments that delete outdated terms and provisions are also purely housekeeping changes.

Amendments

The Amendments are provided in Appendix A.

Timing

Because the Amendments are not considered to be a public interest rule, in accordance with the Protocol the Amendments were deemed to be approved by the OSC at the time TSX filed its Amendments submission on February 21, 2006. The Amendments will become effective on March 10, 2006.

APPENDIX A

RULES OF THE TORONTO STOCK EXCHANGE

**AMENDMENTS FOR MARKETPLACE TRADE AND MESSAGE REPORTING
ON THE EXCHANGE**

The Rules of the Toronto Stock Exchange are amended as follows:

1. Rule 1-101 is amended by:
 - (a) deleting the definitions “Constraint”, “eVWAP Facility”, “eVWAP Order”, “eVWAP Price”, “eVWAP Security”, “eVWAP Session”, “Multiple Match Order”, “Net Buy Imbalance”, “Net Sell Imbalance”, “POSIT Call”, “POSIT Call Market”, “POSIT Match Time”, “POSIT Order”, “POSIT Participant”, and “POSIT Price”.
 - (b) deleting in the definition of “Regular Session” the phrase “or an eVWAP Session”.
 - (c) inserting in the definition of “committed order” the words “or units” after “number of shares”.
 - (d) adding the following definition of “marketplace”:

“marketplace” has the meaning ascribed to it in National Instrument 21-101 – *Marketplace Operation*.
 - (e) adding the following definition of “Marketplace Match”:

“Marketplace Match” means matched orders that are received from a marketplace where the matched orders flow through the facilities of the Exchange but do not interact with: (i) orders entered on the Exchange by Participating Organizations; (ii) other Marketplace Matches; and (iii) Marketplace Messages.
 - (f) adding the following definition of “Marketplace Message”:

“Marketplace Message” means an order received from a marketplace where the order flows through the facilities of the Exchange but does not interact with: (i) orders entered on the Exchange by Participating Organizations; (ii) other Marketplaces Messages; and (iii) Marketplace Matches.
2. A new Rule 1-105 is added as follows:

1-105 Application of Rules
Marketplace Matches and Marketplace Messages are not subject to Parts 2 to 8 of the Rules. For greater certainty, a Marketplace Match is not considered to be a trade or an Exchange Contract under the Rules, and a Marketplace Message is not considered to be a tradeable order or an order under the Rules.
3. Subsection (2)(b) of Rule 3-101 is amended by:
 - (a) replacing “4:05” with “4:15”; and
 - (b) deleting “; and” at the end of the subsection.
4. Subsection (2)(c) of Rule 3-101 is deleted.
5. Rule 4-105 is repealed.
6. Rule 4-106 is repealed.
7. Subsection (1) of Rule 4-401 is amended by inserting the word “committed” before the word “orders”.

RULES (as at •)	POLICIES
<p>PART 1 - INTERPRETATION 1-101 Definitions (Amended)</p> <p>***</p>	
<p>“committed order” means an offer to buy or sell a specific number of shares or units of a listed security at a specific price that is entered in the Book and that is open for acceptance by any other Participating Organization.</p> <p>Amended (•)</p>	
<p>“marketplace” has the meaning ascribed to it in National Instrument 21-101 – Marketplace Operation.</p> <p>Added (•)</p>	
<p>“Marketplace Match” means matched orders that are received from a marketplace where the matched orders flow through the facilities of the Exchange but do not interact with: (i) orders entered on the Exchange by Participating Organizations; (ii) other Marketplace Matches; and (iii) Marketplace Messages.</p> <p>Added (•)</p>	
<p>“Marketplace Message” means an order received from a marketplace where the order flows through the facilities of the Exchange but does not interact with: (i) orders entered on the Exchange by Participating Organizations; (ii) other Marketplace Messages; and (iii) Marketplace Matches.</p> <p>Added (•)</p>	
<p>“Regular Session” means a Session other than a Special Trading Session.</p> <p>Amended (•)</p>	
<p>***</p>	
<p>1-105 Application of Rules</p> <p>Marketplace Matches and Marketplace Messages are not subject to Parts 2 to 8 of the Rules. For greater certainty, a Marketplace Match is not considered to be a trade or an Exchange Contract under the Rules, and a Marketplace Message is not considered to be a tradeable order or an order under the Rules.</p> <p>Added (•)</p>	
<p>***</p>	
<p>PART 3 – GOVERNANCE OF TRADING SESSIONS</p> <p>DIVISION 1 - SESSIONS</p> <p>3-101 Date and Time of Sessions</p> <p>(1) The Exchange shall be open for Sessions on each</p>	

RULES (as at •)	POLICIES
<p>Business Day.</p> <p>(2) Unless otherwise changed by a resolution of the Board</p> <p>(a) the Regular Session shall open at 9:30 a.m. and close at 4:00 p.m.; and</p> <p>(b) the Special Trading Session shall open at 4:15 p.m. and close at 5:00 p.m.</p> <p>Amended (•)</p>	
<p>***</p>	
<p><u>PART 4 – TRADING OF LISTED SECURITIES</u></p> <p>DIVISION 1 - MARKET FOR LISTED SECURITIES</p> <p>***</p>	
<p>4-105 eVWAP Facility (Repealed)</p> <p>Repealed (•)</p>	
<p>4-106 POSIT Call Market (Repealed)</p> <p>Repealed (•)</p>	
<p>***</p>	
<p>DIVISION 4 – GENERAL TRADING RULES</p> <p>4-401 Trading in the Book</p> <p>(1) The Book shall contain and display all committed orders to buy or sell a listed security that are made on the Exchange, unless otherwise provided by the Exchange.</p> <p>(2) Only committed orders shall participate in trading, except for trading in the special terms market.</p> <p>(3) All trades in listed securities on the Exchange shall be executed in the Book, unless otherwise provided by the Exchange.</p> <p>Amended (•)</p>	