

## 13.2 Marketplaces

### 13.2.1 CSE – Amendments to Trading System Functionality & Features – Notice and Request for Comment

#### CANADIAN SECURITIES EXCHANGE

#### SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT

#### AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY & FEATURES

#### NOTICE AND REQUEST FOR COMMENT

CNSX Markets Inc., (“CSE” or “the Exchange”) is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange’s recognition orders (the “Protocol”). The Exchange intends to implement enhancements to its trading system in response to customer feedback. The proposed changes are described below.

#### A. Description of the Proposed Changes

##### ***CSE Closing Price (CCP) Session for CSE Listed***

CSE is proposing a Closing Price Session (“CCP”) that will follow the close of continuous trading for CSE listed securities. A period between the close of continuous trading and the start of the CCP session will allow dealers an opportunity to remove orders from the book before the CCP session begins.

- The CSE Closing Price will be defined by the last CSE trade prior to the close at 4:00 p.m. that would have qualified for establishing a national last sale price (“NLSP”).
  - If there are no qualifying trades during the current session, the CCP will continue to be the CCP from the previous trading day.
- The current ability to cancel orders between the close at 4:00 p.m. and system shutdown at 8:00 p.m. will remain in place.
- At 4:15 p.m. order entry will be enabled for the CCP which will continue until 5:00pm
  - There will be no pre-open period prior to the CCP session. The market state will change directly from closed to continuous trading.
  - Securities that are in a halted state as of the close at 4:00 p.m. will remain halted through the CCP session.
  - At 5:00 p.m. the market will close and remain closed until the system is shutdown for the day.
- Board-lot orders and the board-lot portion of mixed-lot orders already in the book when the CCP begins can participate in the CCP session.
  - Peg, on-stop, terms, odd-lot and the odd-lot portion of mixed-lot orders will not participate in the CCP session.
  - All trades will occur at the CCP price with the exception of noted Specialty Price Crosses.
  - Orders in the book with limits more aggressive than the CCP will be allowed to match at the CCP against incoming CCP limit orders.
  - Iceberg orders in the book with limits more aggressive than the CCP will be allowed to match at the CCP against incoming CCP limit orders but if the iceberg order replenishes, the replenished visible volume will be priced at the CCP. Any volume not traded will be restored to the original limit price following the CCP session.

- During the CCP session Regular, Internal, Basis, VWAP, Derivative-Related, CCP and Contingent Crosses may be entered.
  - Board-lot, odd-lot and mix-lot cross volumes will be accepted.
  - VWAP and Basis crosses will be accepted and may trade at any price, subject to regulatory restrictions, but will not change the CCP.
  - All other Intentional crosses (with the exception of noted Specialty Price Crosses) will only be accepted if priced at the CCP but are subject to existing rules related to their price relative to the CSE BBO. If the CCP is outside the BBO this may require that orders more aggressive than the CCP be traded out at the CCP before an Intentional cross can be entered.
  - Normal cross interference will apply to crosses in the CCP session as it does in continuous trading.
- Mixed-lot, odd-lot, on-stop, terms, peg and Seek Dark orders will not be accepted.
- During the CCP session board-lot orders may be entered.
  - Only orders with a limit price of the CCP will be accepted.
  - Durations of Day, IOC, GTD, FOK and GTC will be accepted. Unfilled portions of GTD and GTC orders will remain in the book until the next trading day unless cancelled prior to the system shutdown.
- Orders may be amended during the CCP session but price amendments will not be accepted.
- New orders subject to OPR Reprice protection that cannot trade or book at the CSE CCP price based on the NBBO at the time will be cancelled as opposed to being repriced.
- The GMF, participation and odd-lot auto-fill facilities will be inactive during the CCP session.
- Normal CSE matching priorities of price, broker then time will apply during the CCP session.

#### ***CSE CCP Session Cross Type***

CSE will be adding a CSE Closing Price Session Cross type (“CCP Cross”) that will allow dealers to mark an Internal Cross as CCP type when entering the cross on behalf of a client during the CCP session.

- CCP Crosses may only be entered during the CCP session.
- CCP Crosses may only be priced at the CCP.
- Rules related to the Internal Cross price relative to the CSE BBO will apply.
- CCP Crosses will not be subject to cross interference.

**B. Expected Implementation Date:** Q1 2020

#### **C. Rationale and Analysis**

CSE is proposing the CSE Closing Price Session in response to customer demand for the ability to trade at the CSE closing price. In addition, the CCP Cross will permit the execution of Cross orders at the CSE closing price for ETF and other portfolio rebalancing. This additional functionality provides consistency with the other marketplaces in Canada that offered similar closing price sessions.

The use of the CSE Closing Price Session or the CSE Closing Price Cross is optional for participants.

**D. Expected Impact**

The expected impact is minimal with a more seamless and simplified workflow for Industry stakeholders. The changes respond to customer demand and provide competition with the offerings of other marketplaces. The use of these order types and options is optional.

**E. Compliance with Ontario and British Columbia Securities Laws**

There will be no impact on the CSE's compliance with Ontario and British Columbia securities laws. The changes do not alter any of the requirements for fair access or the maintenance of fair and orderly markets.

**F. Technology Changes**

Clients already support similar features on other Canadian marketplaces and therefore we do not anticipate there to be a material effort. The new functionality is optional and should require minimal effort to implement.

**G. Other Markets or Jurisdictions**

The table below identifies where the proposed functionality is new or currently available.

ORDER TYPE	MARKETS AVAILABLE
Closing Price Session	TMX, Aequitas
Closing Price Cross	TMX

**Comments**

Please submit comments on the proposed amendments no later than September 10, 2019 to:

**Mark Faulkner**

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