

RULES (AS AT JANUARY 19, 2009)	POLICIES
<p><u>PART 1 - INTERPRETATION</u></p> <p>1-101 Definitions (Amended)</p> <p>(1) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <ul style="list-style-type: none"> (a) defined or interpreted in section 1 of the <i>Securities Act</i> has the meaning ascribed to it in that section; (b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection; (c) defined in subsection 1.1(3) of National Instrument 14-101 Definitions has the meaning ascribed to it in that subsection; (d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that subsection; and (e) defined or interpreted in UMIR has the meaning ascribed to it in that document. <p>Amended (April 1, 2002)</p>	
<p>(2) In all Exchange Requirements, unless the subject matter or context otherwise requires:</p> <p><u>*****</u></p> <p><u>“Discretionary Order” means a limit order with both a disclosed portion and an undisclosed portion where the undisclosed portion has a price that is not displayed and is more aggressive than the price on the order’s disclosed portion. The undisclosed portion of a Discretionary Order will execute only against an Inside Spread Order. The disclosed portion of a Discretionary Order is eligible to execute against an Inside Spread Order as well as all other orders.</u></p> <p><u>Added (c, 2009)</u></p> <p><u>*****</u></p> <p><u>“Inside Spread Order” means an Undisclosed Order that is constrained to execute inside the Canadian Best Bid Offer. An Inside Spread Order will execute only against a Discretionary Order.</u></p> <p><u>Added (c, 2009)</u></p>	

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<p>*****</p> <p><u>“Undisclosed Order” means an order that is not displayed on the Exchange.</u></p> <p><u>Added (e, 2009)</u></p> <p>*****</p>	
<p>4-604 Responsibilities of Market Makers (Amended)</p> <p>Market Makers shall trade on behalf of their own accounts to a reasonable degree under existing circumstances, particularly when there is a lack of price continuity and lack of depth in the market or a temporary disparity between supply and demand and in each of their securities of responsibility shall:</p> <ul style="list-style-type: none"> (a) contribute to market liquidity and depth, and moderate price volatility; (b) maintain a continuous two-sided market within the spread goal for the security agreed upon with the Exchange; (c) maintain a market for the security on the Exchange that is competitive with the market for the security on the other exchanges on which it trades; (d) perform their duties in a manner that serves to uphold the integrity and reputation of the Exchange; (e) in the case of a Market Maker Firm, arrange for a back-up Responsible Designated Trader for each security assignment, and in the case of a Market Maker that is an Approved Trader, arrange for a back-up Market Maker, who in their absence, will carry out the responsibilities set out in this Rule; (f) guarantee fills for odd lot and mixed lot orders at the current board lot quotation; (g) maintain the size of the Minimum Guaranteed Fill requirements agreed upon with the Exchange; (h) comply with the Minimum Guaranteed Fill requirements agreed upon with the Exchange, which include guaranteeing an automatic and immediate “one price” execution of <u>disclosed</u> MGF – eligible orders; (i) be responsible for managing the opening of their securities of responsibility in accordance with Exchange Requirements and, if necessary, for opening those securities or, if appropriate, requesting that a Market Surveillance Official delay the opening; 	

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<p>(j) assume responsibility for certain additional listed securities in accordance with applicable Exchange Requirements;</p> <p>(k) assist Participating Organizations in executing orders; and</p> <p>(l) assist the Exchange by providing information regarding recent trading activity and interest in their securities of responsibility.</p> <p>Amended (July 23, 2004, 2009)</p> <p>*****</p>	
<p>DIVISION 8 – POST OPENING</p> <p>4-801 “Establishing Priority”</p> <p>(1) <u>A disclosed order shall be executed prior to an Undisclosed Order or any undisclosed portion of an order at the same price.</u></p> <p>(2) (1) Subject to <u>Rule 4-801(1) and</u> Rule 4-802, an order at a particular price shall be executed prior to any orders at that price entered subsequently, and after all orders entered previously (“time priority”), except as may be provided otherwise.</p> <p>(2) An undisclosed portion of an order does not have time priority until it is disclosed, unless there is no other disclosed order at that price.</p> <p>(3) An order shall lose time priority if its disclosed volume is increased and shall rank behind all other disclosed orders at that price.</p> <p><u>Amended (•, 2009)</u></p>	
<p>4-802 Allocation of Trades (Amended)</p> <p>(1) An order that is entered for execution on the Exchange may execute without interference from any order in the Book if the order is:</p> <p>(a) part of an internal cross;</p> <p>(b) an unattributed order that is part of an intentional cross;</p> <p>(c) part of an intentional cross entered by a Participating Organization in order to fill a client’s Special Trading Session order;</p>	<p>4-802 Allocation of Trades</p> <p>(1) MGF Facility</p> <p>The MGF facility provides an automatic and immediate “one price” execution of Participating Organizations’ <u>disclosed client</u> market orders and <u>disclosed client</u> tradeable limit orders of up to the MGF in the security at the current <u>displayed</u> market price.</p> <p>(a) Obligations</p> <p>Market Makers shall buy or sell the balance of an incoming MGF-eligible</p>

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<p>(d) part of an exempt related security cross, provided that the order is exempt from interference only to the extent that there are no offsetting orders entered in the Book, at least one of which is an order entered by the same Participating Organization, which can fill both the client's order for the particular security, in whole or in part, and an equivalent volume of the client's order for the related security. Orders in the Book will only be considered to be offsetting orders if the related security spread on execution of the clients' orders against orders in the Book is equal to or more beneficial than the related security spread offered by the Participating Organization for the contingent cross arrangement;</p> <p>(e) entered as part of a Specialty Price Cross; or</p> <p>(f) part of a Designated Trade.</p> <p>(2) Subject to subsection (1), an intentional cross executed on the Exchange will be subject to interference from orders in the Book from the same Participating Organization according to time priority, provided that such orders in the Book are attributed orders.</p> <p>(3) A tradeable order that is entered in the Book and is not a Bypass Order shall be executed on allocation in the following sequence:</p> <p>(a) to offsetting orders entered in the Book by the Participating Organization that entered the tradeable order according to the time of entry of the offsetting order in the Book, provided that neither the tradeable order nor the offsetting order is an unattributed order; then</p> <p>(b) to offsetting orders in the Book according to the time of entry of the offsetting order in the Book; then</p> <p>(c) to the Market Maker if the tradeable order is <u>disclosed and is</u> eligible for a Minimum Guaranteed Fill.</p> <p>(4) A tradeable order that is entered in the Book and is a Bypass Order shall execute against the disclosed portion of offsetting orders in the Book according to the price/time priority established in Rule 4-801.</p> <p>Amended (January 19, 2009)</p>	<p><u>disclosed</u> order at the current market price when there are not sufficient committed orders to fill the incoming order at that price. Market Makers shall also purchase or sell to any imbalance of MGF-eligible <u>disclosed</u> orders on the opening that cannot be filled by orders in the Book.</p> <p>(b) Size of MGF</p> <p>The minimum size of MGF is calculated as one share less than two board lots.</p> <p>For example, for securities with a board lot size of 100 securities, the minimum is 199 securities. This minimum is acceptable for Tier A securities and Tier B securities. The calculated minimum MGF may; however, be set at a size that is higher than the minimum. For example, the minimum size of the MGF for Tier A securities is usually greater than 599 shares (for securities with a 100 share board lot).</p> <p>(2) Market Maker Participation</p> <p>At the option of the Market Maker, the Market Maker may participate in any <u>disclosed</u> immediately tradeable orders (including non-client orders) that are equal to or less than the size of the Market Maker's MGF for the security. The Market Maker may participate for 40% of the MGF order at the bid price, the ask price, or both. While the Market Maker is participating, all <u>disclosed</u> client orders that are equal to or less in size than the MGF for the security, including those marked "BK", shall be guaranteed a fill. If the Market Maker is not participating, only <u>disclosed</u> MGF-eligible orders shall be guaranteed a fill.</p> <p>(3) Use of MGF by US Dealers</p> <p>Orders on behalf of American securities dealers ("U.S. dealers") to buy or sell listed securities that are interlisted with NASDAQ are not eligible for entry into the MGF system. The orders (if they would otherwise be MGF-eligible) must be marked "BK" in order to avoid triggering the responsible Market Maker's MGF obligation. This Policy applies even if the U.S. dealer is paying a commission. Orders on behalf of clients of U.S. dealers are eligible for entry into the system. Participating Organizations accepting an order from a U.S. dealer must ascertain whether the order is on behalf of a client. If the Participating Organization is unable to determine the status of the order, the order is to be treated as ineligible for entry into the MGF system. Orders on behalf of U.S. dealers that are facilitating a trade for a client of that dealer are not eligible for entry into the MGF system and must</p>

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	be marked "BK". Amended (July 23, 2004, <u>2009</u>)

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Document 2	file://J:/TSX Inc/Rule Book (Inc)/2009/Price Improvement Iceberg/29JUNE09.doc
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Moved deletion	
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