



REQUEST FOR INDUSTRY FEEDBACK

TMX Markets is seeking feedback from market participants on the impact on the Canadian market structure of certain active / passive fee models for unintentional crosses found in Canada (the “sliding scale model”).

TMX Markets understands that, under the sliding scale model, brokers have the ability to allocate fees and rebates differently to the active and passive sides of an unintentional cross trade, provided the net fee to the marketplace for the trade remains zero. Typically, in the sliding scale model, the active side of the trade, often representing retail orders, would be allocated a rebate to encourage retail participation, while the passive side, usually institutional or liquidity-providing flow, would be allocated a fee for interacting with spread-crossing liquidity. This fee/rebate allocation (including amounts) appears to be at the discretion of the broker entering the orders, and there does not appear to be any restriction on the fees/rebates that can be allocated (so long as the net to the marketplace remains zero).

The regulatory framework in Canada is designed to ensure that, among other things, marketplaces do not unreasonably prohibit, condition or limit access to trading, and do not permit unreasonable discrimination among market participants. Generally, the established priority allocation model in Canada is price/broker/time, which is acceptable within the regulatory framework. When the sliding scale model is used, broker priority is assigned to these unintentional cross orders.

TMX Markets understands that there are conflicting views in the Canadian landscape on the appropriateness of the sliding scale model. TMX Markets encourages innovation and embraces changes that improve Canadian market structure, and to that end, is soliciting market participant feedback on the sliding scale model. In particular:

- (1) Are you in favor of the sliding scale model in Canada - why or why not?
- (2) Does the sliding scale model introduce any risks to the Canadian market?
- (3) Similar to the access fee cap placed on marketplaces by National Instrument 23-101, should the sliding scale model be subject to a maximum fee/rebate limit?
- (4) If trades are being structured under the sliding scale model, should those trades be reported or categorized as “unintentional” crosses?
- (5) What impact, if any, does the sliding scale model have on fragmenting liquidity or price discovery?



TMX encourages market participants to provide their views on the benefits and risks of the sliding scale model. Feedback received will not be published.

Feedback must be delivered to TMX by January 31, 2025 to:

Joanne Sanci
TMX Group Limited
100 Adelaide Street West, Suite 300
Toronto, Ontario M5H 1S3
Email: tsxrequestforcomments@tmx.com