


Order Types and Functionality

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Order Types and Functionality

1. INTRODUCTION

This document provides a basic overview of trading on the systems operated by the Canadian Securities Exchange. ("CSE"). It is not intended to be a comprehensive description of all the functionality of the trading systems.

The CSE has retained the Investment Industry Regulatory Organization of Canada ("IIROC") as its regulation services provider, or market regulator. The Universal Market Integrity Rules ("UMIR") will apply to all activity on the CSE. All markers, identifiers, and order types required by UMIR are available.

2. CONTACT

CONTACT	PHONE	EMAIL
Trading Services	416-367-7347	trading@thecse.com
Market Operations	416-306-0772	marketops@thecse.com

3. TRADING SESSIONS

3.1 Hours of Operation

Other Listed Securities (TSX and TSX-V)		CSE Listed Securities	
Pre-open	7:00 AM	Pre-open	7:00 AM
Open	8:00 AM	Open	9:30 AM
Close	5:00 PM	Close	4:00 PM
System Shutdown	8:00 PM	System Shutdown	8:00 PM

The trading system does not support the following special trading sessions/facilities: STS crosses, LSTS (Last Sale Trading Session), MOC (Market on Close), MBF session (or MBF - Must Be Filled orders), or Option expiry.

3.2 Pre-Open and Post-Open Priority and Allocation

The CSE matches orders by price/time priority at the opening and in post-open but will seek out same firm crosses first (also known as firm priority or broker preferencing). For billing purposes, trades at the opening are designated active or passive according to time priority.

Each side of an unintentional cross will be designated as active or passive according to time priority. Intentional crosses executed at the bid/ask are subject to interference from the book and that portion of a cross that is interfered with will be considered an unintentional cross for billing purposes. Orders are time stamped at the time of entry. First-in, First-out (FIFO) allocation distributes order volumes on the basis of each order's time of entry into the trading system.

3.3 Opening

Orders entered during the pre-open market state are queued in the regular term book and an opening price is calculated (the "Calculated Opening Price" or "COP"). Each symbol has only one opening price per move from pre-open to open market state. The COP is based only on the regular

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term book. Terms orders match and trade only after the opening state change. The following criteria are used to calculate the opening price in consecutive order:

- Maximize share traded volume
- Minimize imbalance in share volume
- Better price for the market side with higher demand
- Minimize net change from the previous day's closing price
- Maximize share price

3.4 Stocks & Symbols

CSE listed securities and other listed securities (TSX and TSX-V) are eligible for trading on the CSE. Stock symbols for other listed securities will be identical to those used on the exchange on which the stock is listed. The list of available stocks is updated on a daily basis, can be found on www.thecse.com.

3.5 Access to Trading

Access to trading on the CSE is available to all CSE Dealers. CSE Dealers must be IIROC members in good standing, and traders must be registered in their home province. See "Becoming a Dealer" on www.thecse.com.

3.6 Liquidity Identifiers

Exchange Admin Tag

Private tag is used for tracking passive/active orders (adding/removing liquidity).

Trades on the CSE listed securities are designated active or passive according to time priority as:

- At the opening: QAO – active side of an opening trade, QPO – passive side of an opening trade
- Post-open: QAP – active side of a trade, QPP – passive side of a trade

Trades on other listed securities are designated active or passive according to time priority as:

- At the opening: PAO – active side of an opening trade, PPO – passive side of an opening trade
- Post-open: PAP – active side of a trade, PPP – passive side of a trade

Liquidity Indicator Tag

Private tag on the trade execution that is used to indicate whether your order took liquidity or provided liquidity.

Valid Values:

A = provided liquidity Designated symbols

R = took liquidity Designated symbol

P = provided liquidity

T = took liquidity

C = cross

4. ORDERS AND TRADES

4.1 Order Number Format

Order number format is a 14 alphanumeric unique identifier.

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4.2 Duration

Orders can be entered as:

- Day
- Good Til Date (expire 10 minutes after the market close* on a specified day);
- Good Til Cancel (expire 10 minutes after the close*, 90 calendar days from entry);
- Fill Or Kill (FOK) orders that either immediately receive a complete fill or expire
- Immediate or Cancel (IOC) orders that either immediately receive a full or partial fill, or expire.

*10 minutes after the market close means 4:10 PM on the CSE listed securities, and 5:10 PM on other listed securities.

4.3 Anonymous Orders

This option allows the dealer to have orders and trades appear as generic broker #001 on all public displays. The Anonymous attribute can be added or removed on an amend which will have no effect on priority.

4.4 Market Orders & Limit Orders

A market order to buy or sell is to be executed immediately at the best bid or best offer price, and any remaining volume of a market order will book at the price protection of 50 ticks off the first traded price. Limit orders have a specified price and may be filled at a better price than the limit and will book any remaining volume at the limit price on the order to a maximum of 50 ticks off the first traded price.

4.5 Pegged Orders

Peg orders on the CSE are dark orders and can only trade with visible orders. Peg orders are always passive. The CSE has two types of peg orders: Mid-Point and Market Pegs, both trade between the NBBO and if the spread of the NBBO is one tick then they can trade at the half tick (with support for four decimal places for stocks trading under \$0.495). Mid-Point and Market peg orders will not trade in a locked or crossed market.

Mid-Point and Market Pegs can be priced with a limit price or price of market and can only trade during the continuous trading session. Peg orders expire at the end of the day.

Mid-Point peg orders are pegged to the Mid-Point of the NBBO.

Market peg orders will be pegged to the NBBO with buy orders being pegged one tick inside the offer and sell orders being pegged on tick inside the bid.

4.6 Short Marking Exempt Orders

To satisfy the UMIR rule amendments regarding short sales and failed trades, a new short marking exempt tag has been added.

4.7 Undisclosed Volume Orders (Icebergs)

An undisclosed volume order is an order that books with a defined-size displayed portion and the remainder hidden, and as the displayed portion is executed it is replenished until filled.

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A minimum of 1 board lot must be displayed and only the disclosed volume will have priority at the given price level. The disclosed volume must be at least 1 board lot, or 0.1% of the quantity of the undisclosed volume order, whichever is higher. For example: The stock price is \$1.12 and the undisclosed volume is 1,000,000. The minimum disclosed portion is 1,000.

If there are multiple undisclosed volume orders, they trade their disclosed volume on a rotation basis until the incoming order is satisfied.

The total volume for an undisclosed order can be a board lot or mixed lot but the disclosed volume can only be a board lot. If the disclosed volume becomes a mixed lot volume due to board lot changes overnight then the Undisclosed order will be cancelled (will expire overnight).

4.8 By-Pass Orders

By-pass orders must be limit orders (cannot be market orders), and by-pass orders are Immediate or Cancel orders that fill against visible volumes, with the following attributes.

They are tradeable against:

- Only visible/disclosed volumes; and
- Board lot and odd lot volumes.

They are not tradeable against:

- Opening orders;
- Undisclosed portions of iceberg orders;
- Special terms orders; and
- RT Participation or GMF
- PEG orders

Other attributes:

- Execute in a transparent manner;
- Any part of the OrderQty balance not filled immediately is killed/cancelled;
- Resulting trades are eligible to set the Last Sale price;
- Marker can be used with board lot; mixed lot and odd lot orders; and
- Form part of public information on the Multicast Feed and FIX OE.

4.9 Special Terms Orders

Special Settlement Terms

- The CSE supports the following Settlement terms: CASH, CASH Today, Delayed Delivery, Non-net, and Non-resident.
- Settlement terms orders will match and trade with each other when the terms on the orders match.

Odd Lot Orders

- Considered Special Terms trades, in accordance with UMIR.
- Trade any part and can match outside the board bid/ask.
- Trade by price/time priority.
- Trade only with other odd lots or can also trade with the market maker for stocks that are enabled with GMF.

Order Types and Functionality

- For securities that are enabled GMF, odd lot orders will be auto traded at the NBBO with the designated market maker responsible for the security if they cannot be filled by odd lots in the book at or better than the NBBO.
- Will not affect the Last Sale Price.
- Regular odd lot orders are included in the 50 tick bid/ask protection limit. The price tick protection parameters are set off the first trade of market orders and better price limit orders.
- Can have all the regular attributes of board lots (e.g. Anonymous, Short, NCIB etc.).

4.10 Crosses

The CSE supports all cross types, except for the STS specialty cross type, that are allowed under UMIR: unintentional, intentional, internal and specialty.

Unintentional Crosses

The system will search first for offsetting orders from the same dealer at a given price before trading with other orders in the book.

Intentional Crosses

May be executed at or between the bid/ask in accordance with UMIR. Crosses are subject to cross interference by orders in the continuous book from the executing CSE Dealer. Intentional crosses will appear as passive on both sides in the Exchange Admin Field, but will be billed as crosses according to the fee schedule. All intentional crosses can be entered to 4 decimal places.

Internal Cross

An intentional cross at or between the bid/ask and between two client accounts of a Participating Organization which are managed by a single firm acting as a portfolio manager with discretionary authority. Internal crosses are not subject to interference from the continuous book. They will appear as passive on both sides in the Exchange Admin Field, but will be billed as crosses according to the fee schedule. Internal crosses can set the last sale.

Specialty Crosses

The CSE supports the following specialty crosses, which are not subject to cross interference: Basis, VWAP, Contingent and Designated (Bypass Cross).

Designated (By-Pass) Cross Trades

- Marker can be used with board lot, mixed lot and odd lot crosses.
- Must be marked and the trade reported using appropriate marker (Designated Cross).
- Will not permit interference from better priced orders or same priced orders.
- Can be printed outside current bid/ask.
- Prints regardless of NLTP or last sale price.
- Does not (unlike trades resulting from the By-Pass order) set the Last Sale.

Basis Cross, VWAP Cross and Contingent Cross

- All three types are available in the regular session.
- Must be marked and the trade reported using appropriate marker (basis cross, VWAP cross or contingent cross).
- Basis and VWAP crosses will not set last sale price.

Order Types and Functionality

- All crosses can be printed to four decimal places.
- Basis and VWAP crosses may be printed outside the quote (subject to regulatory restrictions).
- Contingent crosses must be executed at or between the bid/ask and can set the last sale.

5. MARKET MAKER PARTICIPATION (MMP)

Market Maker Participation is an optional feature that enables the Market Maker on his/her stock of responsibility to auto trade passively up to 40% of all regular board lot orders at the BBO that are at or under the GMF volume set on the stock. Incoming orders will trade with the CSE book before trading with the Market Maker Participation.

If the volume of the incoming order is at or under the GMF volume but is greater than the displayed volume, there is no Market Maker participation. GMF eligible orders are not affected by Market Maker participation and these orders continue to be guaranteed by the Market Maker at the best displayed price.

The Market Maker Participation feature is only available in post open between 9:30 am ET – 4:00 pm ET.

The split between booked orders and the Market Maker will start with the first board lot (100 shares) trading with the book. Incoming orders of less than two board lots will therefore not be subject to Participation, as a 100 (1 board lot) share order will be sent to the book. 200 shares (2 board lots) will be split 100 (1 board lot) to the book and 100 (1 board lot) to the market maker (A 2 board lot order will be the only exception to the 40% maximum participation rate, if the participation is set to less than 40% this split on 200 shares is not applicable.).

Participation Values: % of incoming orders buy/sell side, Participation Volume Buy/sell side, Participation On/off for buy or sell side, can be configured by Market Ops or by the Market Maker using Market Command through his FIX session.

5.1 GMF & Odd Lot Auto Trading Facility (GMF)

The Guaranteed Minimum Fill (GMF) facility provides automatic one price fills to regular client marked orders that include the GMF-Eligible tag set to Y, by the designated Market Maker for the stock up to the set GMF amount for that security at the current displayed market price. This facility is available for Odd Lot, Mixed Lot and Board Lot orders.

- The orders in the book are eligible for fills before the designated Market Maker responsible for the stock auto trades with the incoming client order up to the fill amount set for the stock
- Undisclosed orders are not eligible for fills through the GMF auto trading facility
- Previously booked GMF eligible orders that are being amended are not eligible for fills through the GMF auto trading facility
- Anonymous marked orders are not eligible for fills through the GMF auto trading facility
- Each GMF eligible order entered before the One Price Opening that remains unfilled after the opening will trade against the Market Maker at the opening price if the order price is better than or equal to the opening price.

6. ORDER PROTECTION RULE (OPR)

6.1 Trade-through Protection

The order protection would simply check for trade-thru or locked markets before directing the order to the CSE and cancel or Repricing it if required.

1. OPR Reprice

Orders designated as OPR Reprice will prevent trade-thru, cross or locked markets by repricing the order based on the Consolidated Best Bid Offer (CBBO). OPR Reprice can be enabled on all order flow through a gateway or on individual orders to prevent trade-thru.

2. OPR Reject

Orders designated as OPR Reject will prevent trade-thru, cross or locked markets by cancelling the order based on the Consolidated Best Bid Offer (CBBO). OPR reject can be enabled on all order flow through a gateway or by individual orders to prevent trade-thru.

6.2 Passive Only (Reject or Reprice)

Passive Only is an optional feature that, in the case of Passive Only Reject, will reject the order if any part of the order is immediately tradable on entry, and the Passive-Reprice feature that will book the order at a price changed by one tick away from the price on the opposite side if the order would be immediately traded upon entry.

7. TRADE CANCELLATION AND CORRECTION POLICY

This section outlines the trade cancellation and trade amendments policies for the CSE. Dealers may request trades be cancelled because of wash trading, dealer errors, system errors, suspected violations of the Guaranteed Fill requirements, or as a result of a ruling by the market regulator (IIROC). Generally, unless directed by IIROC, cancellations or corrections will only be done with the consent of both parties.

7.1 Wash Trading

An unintended wash trade can be cancelled at the sole request of the dealer. The CSE offers four options for a dealer to avoid wash trading but wash trades can still occur.

Self-Trade Prevention

- Cancel Oldest - This feature will prevent an incoming order from executing against a passive order from the same broker by cancelling the booked order.
- Cancel Newest - This feature will prevent two orders from the same firm to trade against each other by means of an order cancel.
- Reprice - This feature will prevent two orders from the same firm to trade against each other by means of an order reprice.
- Suppress Trade from Tape - Clients will have the option to receive fills for both orders without having a trade report on the public feed.

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7.2 Dealer Error

Due to a manual entry error or dealer system error dealers may request a trade cancellation or correction. In the event of a dealer error a trade can be cancelled or corrected if both parties agree to the cancellation or correction. Market Operations will work with both sides of the trade and determine the best course of action that will satisfy both parties. If a resolution cannot be accommodated the trader can report the issue to IIROC for evaluation. If IIROC determines a trade cancellation or correction is deemed required the CSE can cancel or correct the trade. If a resolution is not found through IIROC or between the two parties the trade stands and cannot be cancelled or corrected.

7.3 System Error

System errors can occur and in the event of the system error by the CSE's matching engine dealers can request a trade cancellation or correction. In the event of a system error Market Operations will work with both parties of the trade to determine if a trade can be cancelled or corrected. If the parties don't agree on the corrective action Market Operations may request IIROC to determine if the trade can be cancelled or corrected. In the event that a resolution is not found then the trade stands and cannot be cancelled or corrected.

7.4 Market Regulation Enforcement

In order to maintain an orderly market IIROC may require a Trade Cancellation or Price Correction. Trades will be amended or cancelled upon receipt of the details of the trade cancellation or correction.

IIROC is responsible for determining whether a trade price is unreasonable and, with the exception of odd lot trades, no trade will be cancelled for an unreasonable price without direction from IIROC.

7.5 Market Maker Request

Pursuant to Rule 4-107(2), automatic fills triggered by the Guaranteed Fill Facility that are in violation of the eligibility requirements above may be cancelled at the request of the Market Maker. The Exchange may cancel or amend any trades deemed to be an improper use of the Guaranteed Fill Facility.

Routine monitoring of orders and trades on the Exchange can generate alerts that may indicate a violation of the Trading Rules of the Exchange. Specifically, Rule 4-107(1) sets out the eligibility requirements for the Guaranteed Fill Facility. An account that is properly identified as a "Short Marking Exempt" account would not be eligible for a fill, therefore a fill generated for an order marked as eligible (GMF=Y) from a SME account would be a violation of the Rule, and be subject to cancellation at the Market Maker's request. Violations may result in enforcement action.

8. OTHER FEATURES

8.1 Standard Trading Units

Standard trading units, as defined by UMIR are as follows:

<u>Security Price</u>	<u>Board Lot</u>
\$1 and up	100 shares
\$0.10 and less than \$1	500 shares

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Under \$0.10 Debentures	1000 shares \$1000 face value
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Board lots for CSE securities are set overnight by the closing price on the CSE, and will not change during the day's trading session. Board lots for other listed securities are set overnight by the closing price on the exchange where they are listed, and will not change during the day's trading session.

8.2 Price Increments

- <\$0.495 -- \$0.005
- >=\$0.50 -- \$0.01

8.3 Cancel on Disconnect

Cancel on Disconnect is a feature available on the CSE trading system. At the time an order is submitted, clients using the FIX protocol may elect to flag the order with a tag indicating it is to be cancelled immediately, should an unanticipated disconnection occur on the FIX session between the client and the CSE. This feature is available on a session and an order level.

8.4 Account Types

- Non-client "NC"
- Inventory "IN"
- Client "CL"
- Equities Specialist "ST"
- Options Market Maker "OT"
- Options Firm "OF"
- Montreal Exchange "MP"

8.5 Other Order Types and Identifiers

The CSE supports: Short Sale Orders, program trades, basket trades, jitney orders, Wash tag, Principal Trade tag, Regulation ID tags ("IA" Insider Account; "SS" Significant Shareholder), Normal Course Issuer Bid (NCIB) marker tag, Customer Type and Smart Order Router Identifiers (SOR).

8.6 Bid/Ask Limit Order Limit (Price Protection)

Price protection of 50 ticks from the first trade exists on the CSE. Better priced limit orders will trade up to 50 price ticks and book any remaining volume at this Bid/Ask or the Limit Price. This provides price protection. Ticks are assigned according to UMIR at either \$0.005 or \$0.01, based on price.