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VIA E-MAIL

Kent Bailey
Senior Policy Advisor, Market Regulation Policy
Canadian Investment Regulatory Organization
Suite 2600 - 40 Temperance Street
Toronto, Ontario M5H 0B4
E-mail: market_regulation_policy@ciro.ca

Trading & Markets Division
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto Ontario M5H 3S8
E-mail: tradingandmarkets@osc.gov.on.ca

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142
Pacific Centre 701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
E-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

Dear Sirs/Mesdames:

Re: CIRO Bulletin - 24-0363 - Proposed Amendments Respecting Trading Increments (the “Request for Comment”)

TMX Group Limited (“**TMX**” or “**we**”), welcomes the opportunity to comment on the Request for Comment. We fully support the amendments proposed by the Canadian Investment Regulatory Organization (“**CIRO**”) respecting trading increments for U.S. interlisted securities, as harmonization with the U.S. trading increments for such securities is essential for maintaining competitiveness in our markets with our U.S. counterparts.

All capitalized terms used but not defined in this letter have the meaning as set out in the Request for Comment.

TMX

TMX Group Limited (“**TMX**” or “**we**”) is an integrated, multi-asset-class exchange group with global operations. TMX’s key subsidiaries operate cash and derivatives markets for multiple asset classes, including equities and fixed income, and provide clearing facilities, data driven solutions and other services to domestic and global financial and energy markets. Toronto Stock Exchange, TSX Venture Exchange, Alpha Exchange, The Canadian Depository for Securities, Montreal Exchange, Canadian Derivatives Clearing Corporation, Shorcan Brokers Limited, TMX Trayport, TMX VettaFi and other TMX companies provide securities listing markets, trading markets, clearing facilities, depository services, technology solutions, data products and other services to the global financial community, and play a central role in Canadian capital and financial markets.

The Request for Comment

CIRO is proposing to amend the Universal Market Integrity Rules (“**UMIR**”) to, among other things, introduce a minimum trading size requirement for U.S. interlisted securities, and introduce guidance that clarifies the process by which trading increments for U.S. interlisted securities will be determined and communicated (the “**Proposed Amendments**”).

In particular, CIRO is proposing the following:

1. *Trading Increments (tick sizes) for U.S. Interlisted Securities* - UMIR 6.1 will be amended to prohibit the entry of an order to purchase or sell a U.S. interlisted security at a price that is smaller than the applicable trading increment established by CIRO from time to time.
2. *Process for Determining Trading Increments for U.S. Interlisted Securities* - CIRO is proposing guidance that establishes the process for determining the applicable trading increments for U.S. interlisted securities, which will be done through the publication of a technical rules bulletin (the “**Bulletin**”) on a semi-annual basis to align the trading increment for certain U.S. interlisted securities with the minimum pricing increment in the United States as established pursuant to Rule 612 of Regulation NMS (“**Rule 612**”)¹.

Trading Increments for U.S. Interlisted Securities

TMX supports CIRO’s proposal to amend UMIR to harmonize with the U.S on trading increments for U.S. interlisted securities. TMX echoes CIRO’s sentiment regarding the importance of coordination with the U.S. to ensure continued fair competition between Canadian marketplaces and market participants and the U.S. markets, and among other U.S. trading venues. A lack of harmonization could result in a loss of order flow to the U.S., increased price volatility in the

¹ The U.S. Securities and Exchange Commission (“**SEC**”) [adopted amendments](#) under Regulation NMS to, among other things, amend minimum pricing increment, or “tick size,” for the quoting of certain NMS stocks. The planned implementation date for the amended rules is November 3, 2025, however, on December 12, 2024, the SEC issued an order staying the implementation of the amended rules pending completion of judicial review.

Canadian market, and a loss of investment opportunities in the Canadian market if it becomes less competitive and attractive than the U.S. Conversely, to the extent that the amended minimum trading increments are not implemented in the U.S., the Proposed Amendments should not be adopted in Canada.

We understand that the Proposed Amendments would not change the applicable trading increment for securities that are not U.S. interlisted securities, and that the current requirements under UMIR 6.1 would continue to apply. If CIRO proceeds on that basis, we urge CIRO to monitor the trading of these securities on the OTC markets, and whether they are trading on different trading increments or where these markets are gaining market share. If significant differences arise, CIRO must be prepared to address or manage the potential impacts, such as fragmented liquidity, arbitrage opportunities and shifts in market share away from Canada, to ensure the Canadian market remains fair, liquid, and competitive.

Process for Determining Trading Increments for U.S. Interlisted Securities

TMX is supportive of CIRO's proposed process by which trading increments for U.S. securities will be determined and communicated by CIRO on an ongoing basis (i.e., on a semi-annual basis to align the trading increment for certain U.S. interlisted securities with the minimum pricing increment in the U.S. as established pursuant to Rule 612). It is crucial that CIRO regularly updates the market that a Bulletin has been published for the relevant period, and that the Bulletin is clear, comprehensive, and presented in a manner that is easy to understand, and readily available to all relevant stakeholders.

In connection with the process for determining trading increments, Rule 612 provides for a 1-month implementation window at the end of each semi-annual evaluation period (i.e., a 1-month window between establishing the increment and the effective date). TMX is of the view that the 1-month implementation period is sufficient time for Canadian marketplaces to amend trading increments for listed securities in Canada. The longer implementation period is a more appropriate and reasonable interval to implement tick size adjustments compared to the implementation window originally proposed by the SEC², which, because of the compressed schedule, would have adversely affected the markets' ability to ensure that data obtained during the evaluation period was subject to adequate quality control and testing and to deploy the change throughout applicable systems.

Implementation of the Proposed Amendments – Operational Resiliency and Systems Readiness

TMX understands that the implementation of the Proposed Amendments, if adopted, will be effective on November 3, 2025, being the date on which the amendments to Rule 612 become effective. TMX agrees with CIRO that implementation of the Proposed Amendments, if adopted, would require significant implementation efforts by affected stakeholders, and in particular, dealers who will be required to overhaul their trading algorithms. Affected stakeholders must be

² Under the SEC's original proposal, the evaluations were required to be calculated a day after the month end based on data from the previous month.

provided with sufficient lead-time prior to the implementation of the Proposed Amendments and on an ongoing basis in order to adjust, build out and adequately test any required infrastructure and systems changes. In addition, providing ample notice will help ensure a seamless transition, and help mitigate the risk of compliance errors, and disruptions.

Access Fee Caps

We understand that a separate request for comment was recently published by the Canadian Securities Administrators³ (“**CSA**”) with respect to proposed amendments relating to access fee caps (i.e. harmonizing access fee caps with the U.S. for U.S. interlisted securities). While TMX will be providing a comment letter on this proposal, TMX would like to reiterate that we are of the strong view that access fee caps in Canada should not align with the U.S. Reducing fee caps in Canada may negatively impact order flow, liquidity and spreads. Instead, allowing for more flexibility in pricing access fees in Canada for U.S. interlisted securities may present opportunities for improved liquidity provision in Canada, and increase the competitiveness of our markets. Any proposed changes on access fees warrant extensive analysis on the impact to the Canadian markets, given the potential detrimental effects to the Canadian markets. We will review the CSA’s proposal in more depth and look forward to providing our feedback in response.

We appreciate the opportunity to respond to the Request for Comment. We would be pleased to discuss in more detail at your convenience.

Sincerely,

“Doug Clark”

Doug Clark
Managing Director, Equity Product Design, TMX Markets, Equity Trading Products
TMX Group Limited

³ See [CSA Notice and Request for Comment – Proposed Amendments to National Instrument 23-101 Trading Rules and Proposed Changes to Companion Policy 23-101 Trading Rules.](#)