



CSE2 Order Types and Functionality

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Introduction

This document provides a basic overview of trading on the secondary book (CSE2) system 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.

Contact

Contact	Phone	Email
Trading Services	416-367-7347	trading@thecse.com
Market Operations	416-306-0772	marketops@thecse.com

Trading Sessions

Hours of Operation

Secondary Book (CSE2)

Market Open 8:00 a.m. ET

Market Close 5:00 p.m. ET

The trading system does not support any additional special trading sessions/facilities.

Priority and Allocation

The CSE2 book matches orders by price/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.

Stocks & Symbols

CSE listed securities and other listed securities (TSX and TSX-V) are eligible for trading on the CSE2 book. 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.

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.

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:

- 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:

- 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.

Position 0: Order Classification Values:

P = provided liquidity

T = took liquidity

C = cross

Position 1: Listing Market Values:

C = CSE Listed

T = TSX

V = TSX Venture

N = Aequitas

Position 2: Dark Fees Apply Values:

D = Dark fees apply to the trade

" " (space) = Dark fees do not apply to the trade

Orders

Order Number Format

Order number format is a 14 alphanumeric unique identifier.

Duration

Orders can be entered as:

- Day
- Fill-or-Kill (FOK) - either immediately receive a complete fill or expire
- Immediate-or-Cancel (IOC) - either immediately receive a full or partial fill, or expire
- Regular Hours Only (RHO)

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. On the day a warrant or right expires, anonymous orders will be rejected. All anonymous orders with settlement terms are rejected.

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.

On-Stop Orders (often referred to as "Stop Loss")

Stop Loss orders are limit or market orders that are inactive and undisplayed until the market price (National Last Sale Price) hits or passes through a specified trigger price.

Stop Loss orders support durations of Day, IOC, FOK and RHO. Stop Loss orders only trigger between 9:30 a.m. ET – 4:00 p.m. ET.

When the security trades at or through the trigger price, the stop loss order becomes an active buy/sell order. It will be evaluated for OPR compliance and traded, booked, repriced and booked, or cancelled based on OPR logic, user preference and market conditions. Stop Loss orders may be entered with a fixed trigger

price, or a trailing price, offset from the last sale price. All aspects of the Stop Loss are the same with a fixed trigger price or trailing offset price, except that the offset trigger price is calculated and moves with the market, whereas the basic stop loss the trigger is specified by the user at the time of entry and remains fixed. The calculated trigger price is based on the National Last Sale Price adjusted by a user defined offset specified at the time of entry as a dollar value.

The initial trigger price is calculated as National Last Sale Price minus the offset for sell orders or as National Last Sale Price plus the offset for Buy orders. With each change of the National Last Sale Price the calculated trigger price is re-evaluated. If the calculated value would result in a higher calculated trigger price of a sell order, or a lower trigger price in the case of a Buy order, the calculated trigger price will be adjusted.

Stop Loss orders must have a trigger price or offset greater than zero.

Stop Loss orders must be specified with price of Market or a limit price.

Stop Loss orders are defaulted to OPR Reject.

Stop Loss orders can be marked with either OPR Reprice or OPR Reject.

Buy Stop Loss orders must have a fixed or calculated trigger price at or above the last sale price and equal to or less than the limit price.

Sell Stop Loss orders must have a fixed or calculated trigger price at or below the last sale price and equal to or greater than the limit price.

Stop Loss orders will be triggered immediately on order entry if the trigger price is equal to National Last Sale Price at the time.

Peg Orders

Peg orders on the CSE are dark orders that can trade with other dark orders and with incoming displayed orders. The CSE has three types of peg orders: Primary, Mid-Point and Market Pegs, which 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 \$0.50). Primary, Mid-Point and Market peg orders will not trade in a locked or crossed market.

Primary, Mid-Point and Market Pegs can be priced with a limit price or price of market and can only trade between 9:30 a.m. ET – 4:00 p.m. ET.

Primary Price Improvement peg orders will be pegged to same side of the Protected NBBO with buy orders pegged one tick better than the best bid and sell orders being pegged one tick better than the best offer.

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

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

Peg orders follow regular priority rules (price/time).

Half tick increment limit prices are accepted on dark orders.

The limit prices accepted on dark orders can be the following:

<\$0.50 – limits can be expressed increments of \$0.0025

>=\$0.50 – limits can be expressed increments of \$0.005

Peg orders support Post Only, which restricts the peg order to book and only trade passively. Peg orders that are not marked as Post Only will be allowed to trade with tradeable opposing pegged orders already in the book.

Peg orders support Minimum Quantity (MinQty), which restricts the peg order to only trade with contra orders of a specified volume or greater. MinQty is only supported on dark order types.

An IOC option is supported on all peg orders. Any IOC peg volume that is not immediately filled on receipt will be cancelled. Peg orders can be Day, RHO and IOC duration.

Seek Dark Liquidity Orders

Seek Dark Liquidity orders are active IOC orders that will trade against dark resting orders.

Seek Dark Liquidity orders may trade against existing lit odd lots or odd lot portions of mixed lot contra orders at or between the NBBO including automated odd lot fills by the CSE Market Maker where one is assigned.

Orders can be marked as "Trade with price improvement only" or "Trade with price improvement or dark at-the-touch."

Short Marking Exempt Orders

To satisfy the UMIR rule amendments regarding short sales and failed trades, a short marking exempt tag is supported.

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.

A minimum of 1 board lot must be displayed and only the disclosed volume will have priority at the given price level. 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.

Non-display Orders

Non-display orders on the CSE are dark orders that can trade with lit and other dark orders.

- Non-display orders are set with a disclosed volume (MaxFloor) of 0 and will not be disclosed publicly.
- Only trade between 9:30 a.m. ET – 4:00 p.m. ET.
- During the trading day, a symbol may become ineligible to trade Non-display orders due to locked, crossed or threshold market conditions.
- Can only be board lots.
- Non-display orders generally offer price improvement but may trade at the National Best Bid or Offer if the active contra order meets at-the-touch (ATT) requirements.
- Non-display orders can be entered with a MKT price, a full tick limit or a fractional tick limit price.
- The CSE will assign a trading price based on the original limit or the existing bid/ask tick limits.
- Time-in-force can be Immediate-or-Cancel (IOC), Fill-or-Kill (FOK), and Day.
- Non-display orders will support a MinQty option.
 - The MinQty restriction is ignored if an incoming Non-display order is tradeable on entry with a lit order but is applied if an incoming Non-display order is tradeable on entry with other dark orders.
 - The MinQty volume restriction is applied against dark and lit incoming orders that are tradeable against the booked Non-display order.
- Non-display orders will support Post Only instructions.
 - Post Only restricts the Non-display order to book and only trade passively against other dark orders, and will reject if tradeable on entry against lit orders.

- Aggressive Non-display orders will be trade-through protected, trading with visible orders where allowed and booking the remaining volume non-displayed.

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
- Board lot and odd lot volumes

They are not tradeable against:

- Undisclosed portions of iceberg orders
- Special terms orders
- Peg or Non-display orders

Other attributes:

- 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

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.
- Odd lots will only trade at or between the NBBO or at the Single Odd Lot Price (SOP).
- Trade any part.

- On oddlot autofill enabled stocks, as the NBBO changes, booked odd lots that would be tradeable at the current NBBO will become active and autotrade at the current NBBO with the Market Maker between 9:30 a.m. ET – 4:00 p.m. ET.
- If there's no NBBO, odd lots will only trade with each other at the SOP. (Odd lots priced at or better than the SOP will book or trade at the SOP).
- Odd Lot Price Protection: Market or better limit odd lot orders may be repriced based on the following Odd Lot Price Protection (OPP) requirements:
 - a. NBBO – odd lot orders that are priced at or better than the opposite side of the NBBO will be repriced to that price. They will interact with existing odd lot orders at that price, then the balance will trade with the Market Maker or will book there, as applicable. Odd lot orders priced between the NBBO will book or trade at their limit or better, depending on odd lot orders in the book.
 - b. For a one-sided market, the SOP will be a calculation based on the existing bid or offer, and the last sale price.
 - i. If the bid < last sale, or ask > last sale, use last sale price;
 - ii. If the bid > last sale, or ask < last sale, use the bid/ask.
 - c. If there's no NBBO or BBO then the SOP will be the last sale price.
- For oddlot autofill enabled stocks, odd lot orders will trade with the book then Market Maker will fill balance at the NBBO.
- Market Makers do not auto trade at the SOP. Market or better limit price odd lot orders are booked at the SOP. To avoid odd lots booking at the SOP, an IOC tag can be used.
- Will not affect the Last Sale Price.
- Can have all the regular attributes of board lots (e.g. Anonymous, Short, NCIB etc.).

Crosses

All supported crosses, except Unintentional Cross, can be printed to four decimal places. The CSE supports the following cross types:

Unintentional Cross

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 Cross

- All supported cross types are accepted in the regular session.
- 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.

Specialty Cross

The CSE supports the following specialty crosses, which are not subject to cross interference: Basis, VWAP, Contingent, Internal, Designated (By-Pass Cross), and Derivative-related.

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.

Designated (By-Pass) Cross

- 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 set the Last Sale.

Basis, VWAP, Contingent and Derivative-related Cross

- Must be marked and the trade reported using appropriate marker (basis cross, VWAP cross, contingent cross, and Derivative-related cross).
- Basis and VWAP crosses will not set last sale price.
- Basis and VWAP crosses may be printed outside the quote (subject to regulatory restrictions).
- Contingent, Derivative-related and Internal crosses must be executed at or between the bid/ask and can set the last sale.

Regular Hours Only (RHO) Option

The RHO option can be added to restrict trading to the regular trading hours, between 9:30 a.m. ET and 4:00 p.m. ET, for the security's Primary Market (the exchange on which a security is listed).

- RHO orders entered before the Primary Market Open are rejected.
- RHO orders expire from the order book at the security's Primary Market Close ("expiry time").
- Between the entry time and expiry time, orders marked RHO will retain their designated behaviour and execute accordingly.
- The RHO option can be applied to all CSE-supported order types, including On-stops and Icebergs.

Order Protection Rule (OPR)

Trade-Through Protection

The order protection would simply check for trade-through 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-through, cross or locked markets by repricing the order based on the Protected Best Bid Offer (PBBO). OPR Reprice can be enabled on all order flow through a gateway or on individual orders to prevent trade-through.

2. OPR Reject

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

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.

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.

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.

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.

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.

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.

Other Features

Standard Trading Units

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

Security Price	Board Lot
\$1 and up	100 shares
\$0.10 and less than \$1	500 shares
Under \$0.10	1000 shares
Debentures	\$1000 face value

Board lots for CSE securities are set overnight by the closing price on the CSE primary market, 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.

Price Increments

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

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.

Account Types

- Non-client "NC"
- Inventory "IN"
- Client "CL"
- Equities Specialist "ST"
- Options Market Maker "OT"
- Options Firm "OF"
- Me Pro "MP"
- Bundled Order "BU"
- Multiple Clients "MC"

Other Order Types and Identifiers

The CSE supports: 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, Short Sale, Short Marking Exempt (SME) tag and Smart Order Router Identifiers (SOR), IIROC Client Identifiers.

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.

Single Order Limits (Order or Cross)

- Maximum Volume: 999,999,999 shares
- Maximum Price: \$214,748.36