

Appendix C - Summary of comments received and CIRO's responses

Comments Received in Response to Notice 25-0059 - Proposed Amendments Respecting Contingent Derivative Orders

On February 27, 2025, the Canadian Investment Regulatory Organization (CIRO) published Rules Bulletin [25-0059](#) to facilitate the execution of an order for a listed security or quoted security that is contingent on the execution of one or more trades in a listed derivative that is also a related derivative. We received two comment letters from the following commenters:

Investment Industry Association of Canada (IIAC)
Canadian Independent Finance and Innovation Counsel (CIFIC)

Copies of these comments are publicly available on CIRO's website at: [Proposed Amendments Respecting Contingent Derivative Orders](#).

The following table provides a summary of the comments received:

Summary of Comments	Responses
General Comments on the Proposed Amendments	
<p>IIAC – does not oppose the Proposed Amendments as they support the goal of facilitating contingent option trades linked to trades on the Montreal Exchange (MX) and are expected to have de minimus impact.</p> <p>IIAC – suggests that the incremental approach between the Proposed Amendments and related amendments to the rules of the TSX presents opportunities for improvements in the public consultation process.</p> <p>CIFIC – No objections to the Proposed Amendments as operational impacts are expected to be limited and there are potential benefits related to improved operational clarity and greater confidence in the regulatory treatment of these transactions.</p>	<p>We thank the commenters for their responses.</p>
Comments on the Consultation Process	
<p>IIAC – The Proposed Amendments ought to have been subject to public consultation prior to the related TSX rule amendments being finalized. This would allow for consideration of wider market issues and avoid the appearance that the Proposed Amendments were a <i>fait accompli</i>.</p>	<p>The wider market structure issues identified by the commenter are concerns that relate to the ability for contingent option trades on the TSX to trade outside the NBBO. These issues were first subject to comment as part of the approval process for the related TSX rule amendments, and the UMIR Amendments do not materially impact any of these issues. The Amendments are intended to introduce a new order type and</p>

	<p>required exceptions to various UMIR provisions, consistent with those that are available for other order types that may trade outside the NBBO in compliance with OPR.</p> <p>We do not agree that the Amendments were a <i>fait accompli</i>. Any amendments to UMIR are subject to a review and approval process by the Canadian Securities Administrators and the Board of Directors of CISO, and it is inaccurate to conclude that an approval is a foregone conclusion.</p>
<p>Comments on the potential impact of the Proposed Amendments</p>	
<p>IIAC – The Proposed Amendments do not reference any data on the expected volume and value of contingent option trades</p>	<p>The functionality to support the use of a Contingent Derivative Order is only supported on the TSX. A similar order type (subject to different operational processes and constraints) has been available and used on the TSX for many years. CISO has no insight into the expected use going forward.</p>
<p>IIAC – The Proposed Amendments would allow the equity portion to trade outside the NBBO. Similar order types offered by US exchanges require the trades to adhere to the NBBO. The Proposed Amendments do not offer a qualitative comparison to other marketplaces as support.</p>	<p>The comment letter offers comparisons to US options exchanges, not US equity exchanges. CISO does not have a Regulation Services Agreement with the MX, and therefore a comparison in this regard is not within scope. The TSX is the only Canadian marketplace offering functionality consistent with the entry and execution of a Contingent Derivative Order and therefore no comparison with other Canadian equity marketplaces can be made. We also note that requirements related to trading outside the NBBO in equities are within the Order Protection Rule (OPR) in National Instrument 23-101 <i>Trading Rules</i> and are not administered or interpreted by CISO.</p>
<p>IIAC – The Proposed Amendments do not detail how the Proposed Amendments may impact price discovery and suggests that the price discovery process in the cash market must be protected. Both the Proposed Amendments and the related TSX amendments appear to imply that option market price discovery occurs independently from cash markets and that the TSX price discovery process can be bypassed. This presumption is questionable and suggests that caution should be exercised on any future carveouts from CLOB requirements that could have long-term impacts</p>	<p>The Amendments do not imply anything regarding price discovery. Our understanding is that contingent option trades on the TSX are considered to be “calculated price orders” as defined in National Instrument 23-101 <i>Trading Rules</i> and can rely on an available exception to OPR. As noted above, OPR is not administered by CISO.</p>

<p>on price discovery. Any future carve-outs from CLOB requirements should be preceded by an analysis of impacts to price discovery as well as relevant market data on special terms orders (e.g., volume, value and trades by security) with a measure of market impact.</p>	
<p>Comments on operational impacts</p>	
<p>CIFIC – Expects minimal operational impacts. The introduction of a new order marker should be straightforward to implement. IIAC – Expects de minimus impacts</p>	<p>We agree that there should be minimal operational impacts. On implementation, no new order marker is expected to be used. Compliance with the requirement to apply a designation pursuant to UMIR 6.2 can be achieved through the use of the existing TSX marker for these trades that has been used for many years. We note that one impact is that Participants may need to update relevant policies and procedures.</p>