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## 1 all about Market Makers

A Market Maker is an individual who on behalf of a broker-dealer firm accepts the risk of holding a certain number of shares of a security, in order to facilitate the trading of these shares on a particular stock exchange. Each Market Maker competes for the customer order flow by displaying buy and sell quotations for a guaranteed number of shares. Once an order is received, the Market Maker immediately sells from their own inventory or seeks an offsetting order. This process takes place in mere seconds. Market Makers keep the financial markets running efficiently because they are willing to quote both bid and offer prices for an asset.

The following is outlined in the **TSX Stock Exchange Manual**:

Three of the stock markets in North America have market-making systems. Market Makers are employed by the Participating Organizations of each exchange or trading system. As the rules of trading and stock allocation at each exchange are different, the Market Makers also have different responsibilities and different titles:

TSX	Market Makers (note that the TSX-V does not have Market Makers)
NYSE	Specialists
NASDAQ	Market Makers

- At the TSX, the role of the Market Maker is different in comparison to the roles played in the U.S., mainly because of the different systems of stock trading at each exchange. The TSX is an:
  - Order driven system
  - Pure auction market
  - Optional display of broker identity
  - Pre-trade disclosure of order book
  - Post-trade disclosure of trades
  - Block volume disclosure
  - Best prices always posted
  - Iceberg orders (total pre-trade volume not fully disclosed)
  - Call Market – orders trade mid-market at specified times

### Market Maker Functions on the TSX

- Contribute to market liquidity and depth, and moderate price volatility
- Assist in the opening
- Call a two-sided market at a designated spread and size
- Service the odd lot market
- Assist in inquiries from other trading firms
- Assist the TSX in spotting anomalies in the market place
- Assist in establishing fair and orderly markets

TSX Market Makers have no proprietary pre-trade information and do not have access to any information regarding the entry of orders of others. All real-time information is available to all participants at the same time. In the U.S., all orders “go through or are reviewed” by the Market Maker (either electronically or manually) prior to a transaction.

TSX Market Makers have the ability to delay trading on the opening (for unusual indicated opening prices or to align the opening with prices on competing exchanges). They do not have any ability to delay / stop trading during the post-opening period (these functions are IIROC – the responsibility of Investment Industry Regulatory Organization of Canada).

All orders and trades entered by Market Makers have special identification codes for monitoring purposes.

The rules require that 70-80% of the total trades of a Market Maker be against the market (this means buying when there are sellers and selling when there are buyers).

### Minimum Guaranteed Fill (MGF) Obligations

Market Makers must also provide minimum guaranteed fills at the bid / ask prices. These guaranteed fills are for client orders only and are automatically system generated when required. The maximum MGF is 15 board lots and the minimum is 2 board lots.

For TSX listed issues – board lots are determined by stock price:

100 shares	\$1.00 or higher
500 shares	.10 to .99 cents
1000 shares	below .10 cents

### Performance Measurements and Monitoring

The TSX tracks and monitors the performance of all Market Makers with respect to their ability to contribute to the overall stock market in terms of creating liquidity, depth and continuity.

#### Spread Maintenance / Goal

- Calling a two-sided market at a designated spread goal
  - Measured against the average time weighted spread (ATWS)
  - Demerit points deducted for spread exceptions and duration of exception

#### Participation

- Measures the value of trading done by a Market Maker in his / her issues of responsibility and compares it to the participation levels of other Market Makers who have responsibility for similarly classed issues

#### Liquidity

- Measures the value of trading that occurs within the spread goal and the last sale versus the total value of trading for the issue

## THE TSX IS RESPONSIBLE FOR STOCK ASSIGNMENTS OF MARKET MAKERS AND STOCK ASSIGNMENTS CAN BE REASSIGNED FOR NON-PERFORMANCE ISSUES.

### Summary

Every security on the TSX is assigned a Market Maker. As an issuer, you should know who your Market Maker is. If you are unhappy with your Market Maker you can discuss your issues with your Market Maker directly, to improve their effectiveness. Contact TSX Market Services, Market Quality, 416-947-4555 for more information.

A complete list of Market Makers is available on the TSX site at:

[http://www.tsx.com/en/trading/products\\_services/market\\_makers\\_list.html](http://www.tsx.com/en/trading/products_services/market_makers_list.html)

### TSX Market Makers List (partial list)

Company Name	Trading Number	Phone Number
Acker Finley Inc.	132	416-777-9005
Blackmont Capital Inc.	46	416-864-3600
BMO Nesbitt Burns Inc.	9	416-359-4000
Byron Securities Ltd.	63	416-867-9800
Canaccord Capital Corporation	33	604-643-7300 etc.