

**13.2 Marketplaces**

**13.2.1 CX2 Canada ATS – Notice of Proposed Changes and Request for Comment – CX2 Canada Odd Lot Trading Facility**

**CX2 CANADA ATS**

**NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT**

**CX2 CANADA ODD LOT TRADING FACILITY**

CX2 Canada ATS (“CX2”) has announced plans to implement the change described below on or about 45 days after approval. CX2 is publishing this Notice of Proposed Changes in accordance with the “Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto”. Market participants are invited to provide the Commission with comment on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **April 28, 2014** to:

Market Regulation Branch  
Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
Fax: (416) 595-8940  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

And to:

Matthew Thompson  
Chief Compliance Officer  
Chi-X Canada ATS Limited  
The Exchange Tower  
130 King Street West, Suite 2105  
Toronto, Ontario M5X 1E3  
Fax: (416) 368-9148  
e-mail: [matthew.thompson@chi-x.com](mailto:matthew.thompson@chi-x.com)

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes. Finally, CX2 will seek any exemptive relief necessary to the extent that the auto-execution facility described below may be providing directly or through its subscribers, a guarantee of a two sided market on a continuous or reasonably continuous basis, and consequently may not fall within the definition of “alternative trading system” under NI 21-101.

If you have any questions concerning the information below please contact Matthew Thompson CCO for Chi-X Canada, at 416 304-6376.

**CX2 Canada Odd Lot Trading Facility:**

*A. Description:*

CX2 Canada ATS (CX2) is proposing to introduce a new facility for odd lot trading - CX2 Canada Odd Lot Trading Facility. An odd lot is an order with a quantity that does not conform to the board lots established by the prior days' closing price. A board lot (also known as Standard Trading Unit as defined by UMIR) is defined by the price of the security's previous close. They are as follows:

- \$1 or above = 100 shares
- \$0.10 to \$0.99 = 500 shares
- \$0.005 to \$0.095 = 1000 shares

CX2 subscribers will be able to trade odd lot orders with guaranteed fills that are immediately marketable against the Canadian Best Bid Offer (CBBO) and marked IOC. Odd Lot Dealers will meet their responsibility to guarantee executions against incoming odd lot orders on the passive side of the CBBO through orders generated by the trading system (auto-execution).

Odd lot orders that are not immediately marketable or not marked IOC will be rejected. An order containing at least one board lot and an odd lot (mixed lot) that is marked IOC will also be accepted. In this case, the odd lot portion of the mixed lot will receive auto execution and the board lot portion of the mixed lot order will seek available liquidity on CX2. If there is insufficient liquidity on CX2 to fully execute the order, any remaining volume will be canceled. Odd lot executions will not be allowed when a security is in a locked or crossed market conditions. Odd lot orders entered when the market is locked or crossed will be rejected.

Auto execution in the CX2 Canada Odd Lot Trading Facility will only be available between 9:30am and 4:00pm (EST). Odd lot orders that are entered outside of these times will be rejected.

CX2 subscribers that are interested in serving as Odd Lot Dealers can be designated as such at the discretion of CX2. In order to be eligible to be an Odd Lot Dealer, a CX2 subscriber must fulfill the following criteria:

- Execute the CX2 Odd Lot Addendum to the CX2 Subscriber Agreement;
- Have policies and procedures in place to ensure compliance with UMIR and other regulatory requirements;
- Have policies and procedures in place to monitor its conduct for compliance with its Odd Lot Dealer obligations;
- Carry out all Odd Lot Obligations in compliance with UMIR and other regulatory requirements;
- Have necessary resources to carry out obligations.

An Odd Lot Dealer will be assigned any number of securities for which it will be responsible to guarantee auto executions (Assigned Securities). There will only be one Odd Lot Dealer assigned for any particular security. The Odd Lot Dealer may assign one or more of its Approved Trader employee(s) as its Odd Lot Trader(s). The Odd Lot Dealer may assign the performance of their responsibilities for trading in their Assigned Securities to DEA Eligible Clients.

*B. Expected Implementation Date:*

In order to provide subscribers interested in becoming Odd Lot Dealers time for preparation, the CX2 Canada Odd Lot Trading Facility is planned to be implemented 45 days after regulatory approval is received.

*C. Rationale for proposed Change:*

Odd lot orders are characteristically used by retail investors. In order to continue to successfully cater to the needs of this investor segment on CX2, we believe it is important that CX2 be able to support trading of odd lot orders and the odd lot portion of mixed lot orders.

*D. The expected Impact of the proposed Significant Change on Market structure for Subscribers, Investors and capital markets:*

CX2 believes the impact of the proposed change will be minor for subscribers, investors, vendors and the capital markets. For those subscribers and vendors who chose to use the CX2 Odd Lot Trading Facility small amendments to their systems may need to be made. However we note that routing odd lot orders to CX2 is a customer choice that is not necessary unless desired.

*E. Expected impact of the Significant Change on CX2's compliance with Ontario securities law and the requirements of fair access and the maintenance of a fair and orderly market:*

We foresee no negative impact to fair access.