

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Chi-X Canada – Notice of Proposed Changes and Request for Feedback

CHI-X CANADA ATS NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

Chi-X Canada ATS Limited (“Chi-X Canada”) has announced its proposed plans to implement the changes described below in November 2010. It is publishing this Notice of Proposed Changes in accordance with OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*.

Feedback on the proposed changes should be in writing and submitted by Monday, October 18, 2010 to:

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

And to:

Matthew Thompson
Chief Compliance Officer
Chi-X Canada ATS
130 King Street West, Suite 2105
Toronto, ON M5X 1E3
Email: matthew.thompson@chi-xcanada.com

Comments 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.

CHI-X CANADA ATS NOTICE OF PROPOSED CHANGES

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Description of Proposed Changes and Reasons for Changes

Chi-X Canada is adding the following pre-trade validation checks to its Chi-Controls™ risk management tools:

- **Price limit** – provides Subscribers the ability to set price parameters for incoming orders. Price limits can be determined by either specifying a percentage band calculated from the last sale price (i.e. 10 percent above or below the last sale price) and/or by specifying fixed price levels for a security (ex. For a security trading at \$6.00; a price ceiling of \$9.00, and a price floor of \$4.00). When an order is entered with a price that would violate a price parameter, the order will be rejected and sent back to the Subscriber.

- **Share limit** – provides Subscribers the ability to set a maximum number of shares permitted per order per security. When an order is entered with a share amount that exceeds this limit, the order will be rejected and sent back to the Subscriber.
- **Capitalization limit** – provides Subscribers the ability to set the maximum notional value per order per security. The notional value of a trade is calculated by the number of shares multiplied by the price of the security. When an order is entered with a notional value above this set limit, the order will be rejected and sent back to the Subscriber.

Impact of the Changes

These pre-trade validation checks will assist Subscribers in their ability to implement risk controls and perform effective risk management. In addition, by offering Subscribers the ability to prevent “fat finger” orders, these checks will contribute to a more orderly market.

Consultations

Chi-X has consulted with industry participants who supported the proposed change.

Existence of Proposed Change in the Market

Currently other marketplaces in Canada offer similar pre-trade validation checks.

Any questions regarding these changes should be addressed to Matthew Thompson, Chief Compliance Officer, Chi-X Canada: matthew.thompson@chi-xcanada.com, T: 416 304-6376