OSC Staff Notice – Notice of Commission Approval of Proposed Changes to Alpha Exchange Inc. ("Alpha")

On April 16, 2015, the Ontario Securities Commission approved proposed amendments to Alpha's Trading Policies that were published on November 6, 2014[1], subject to a revision and to terms and conditions noted below.

These amendments include the implementation of a randomized order processing delay on all orders other than "post-only" orders, which by definition cannot remove liquidity from the order book. The proposal as published referenced a randomized delay of 5-25 milliseconds. This was subsequently revised and the proposal was approved with a randomized order processing delay of 1-3 milliseconds.

In approving the Alpha order processing delay, the Commission imposed the following terms and conditions:

(1) orders displayed in the Alpha order book will not be considered to be protected under the Order Protection Rule ("OPR") in Part 6 of National Instrument 23-101 *Trading Rules* ("NI 23-101"); and

(2) Alpha will provide analyses of the impact of the Alpha speed bump on the market as required by the Commission.

The Alpha order processing delay and OPR

The Alpha order processing delay applies to all liquidity-taking orders and as such, it has a broad impact. In particular, feedback received on the Alpha order processing delay indicated that in the view of many commenters, it would add complexities and costs to order routing and execution if orders on Alpha were considered "protected orders" under OPR and related definitions in the Investment Industry Regulatory Organization of Canada's ("IIROC") Universal Market Integrity Rules ("UMIR").

OPR requires marketplaces to have written policies and procedures that are reasonably designed to prevent trade-throughs. The same policies and procedures requirement applies to marketplace participants that have assumed responsibility for compliance with OPR through the use of directed-action orders. As a result of the condition set by the Commission, it is staff's view that the policies and procedures of a marketplace or marketplace participant would be "reasonably designed" if they indicated that orders would not be routed to execute against better-priced orders displayed on Alpha when the Alpha order processing delay is implemented. We would not view the policies and procedures to be reasonably designed if they provided for trade-throughs of orders displayed on any other visible marketplace.

We note that the Commission, as well as the Canadian Securities Administrators (CSA), is currently examining the application of OPR more broadly with respect to any marketplace which

[1] Published at (2014) 37 OSCB 9877

imposes an order processing delay, and we expect to issue a proposal for comment in the near term.

Locked and Crossed Markets

Section 6.5 of NI 23-101 prohibits a marketplace or a marketplace participant from intentionally locking or crossing a protected order displayed on a marketplace. In this context, we would not view orders entered on other marketplaces that lock or cross orders displayed on Alpha to be "intentional".

Consolidated Data and UMIR

In the coming weeks, Commission staff will work with the information processor (IP) to ensure that there are replicated market data feeds available to all market participants for specific IP products – one feed will contain data from all marketplaces displaying orders in exchange-traded securities and one will contain data from marketplaces displaying orders that are protected, excluding displayed orders on Alpha. It is our expectation that each of the Canadian Best Bid and Offer (CBBO), Consolidated Depth of Book (CDB) and Consolidated Last Sale (CLS) will be replicated to provide market participants with choice in the IP feeds available[2]. The work required by the IP will likely not be complete by the implementation date of the order processing delay on Alpha, and as such it is our expectation that Alpha will not pass on any costs for an unreplicated data feed purchased from the IP until such time as a replicated market data feed is made available[3].

In addition, prior to the implementation of the order processing delay on Alpha, we will work with IIROC to ensure the finalization of any amendments to UMIR necessary to ensure consistency between the approval of the Alpha order processing delay under the associated conditions, and the application of UMIR.

Questions on the content of this Notice may be referred to:

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[2] Details regarding IP products can be found at: http://www.tmxinfoservices.com/tmx-datalinx/tmx-ip

[3] The TMX IP is a pass-through model, meaning that in addition to the TMX IP distribution fee, the market data fees (for level 1 and level 2, as applicable) and the data policies of the contributing marketplaces are passed through to the client.

ALPHA EXCHANGE INC.

NOTICE OF APPROVAL

AMENDMENTS TO TSX ALPHA EXCHANGE TRADING POLICIES

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information contained in Form 21-101F1 and the Exhibits thereto (the "Protocol"), Alpha Exchange Inc. ("TSX Alpha Exchange") has adopted, and the OSC has approved, amendments (the "Amendments") to the TSX Alpha Exchange trading policies (the "TSX Alpha Rules"). The Amendments are public interest amendments to the TSX Alpha Rules. The Amendments were published for public comment in a request for comments on November 6, 2014 ("Request for Comments").

Reasons for the Amendments

The Amendments are being made to the TSX Alpha Rules to reflect changes being made to the market model for TSX Alpha Exchange.

The Amendments will facilitate the implementation of a unique market model intended to offer premium economics and quality of execution for active natural flow, while improving trading conditions for those liquidity providers willing to commit size. The TSX Alpha Exchange market model will achieve these benefits through the application of an order processing delay ("speedbump") to orders that have the potential to take liquidity and a minimum size for liquidity providing orders, together with fees[1] that will be attractive to active natural flow while not deterring passive liquidity provision.

By improving the trading economics for Canadian retail and institutional flow, this model will present a more competitive alternative for retail order flow that might otherwise be executed in the U.S. and will reduce the corresponding risk to the quality and vibrancy of Canadian capital markets. In addition, a number of additional changes have been made to simplify and streamline the TSX Alpha Exchange offerings.

A blackline of the 'TMX Equity Markets Order Types and Functionality Guide' showing changes that will be implemented to accommodate the Amendments is available on our website.

Summary of Comments and Responses

TSX Alpha Exchange received 14 comment letters in response to the Request for Comments. A summary of the comments submitted, together with TSX Alpha Exchange's responses, is attached as **Appendix A**.

TSX Alpha Exchange respects the public comment process and appreciates the value such public input provides. TSX Alpha Exchange thanks the commenters for their submissions.

[1] Subject to regulatory approval.

Commenters raised concerns regarding the potential risk of increased quote fading arising from speedbumps, and the possible effect of this on execution quality. A number of these commenters suggested that these potential risks would be mitigated by approving the Amendments on the basis of TSX Alpha Exchange being a 'non-protected' marketplace.[2] This would allow participants additional flexibility to determine whether, how and when to access displayed orders on TSX Alpha Exchange based on best execution considerations. We agree that 'non-protected' status would largely address these concerns, and are supportive of the decision by the OSC to approve the Amendments on a 'non-protected' basis.

We have also decided, in response to comments, to reduce the speedbump duration initially to a range of 1 – 3 milliseconds (randomized), a level that is reflective of existing network latencies. This, together with the effect of our planned minimum size requirements, will further reduce any potential risk for quote fading for those dealers that choose to execute client orders on a 'non-protected' TSX Alpha Exchange. Minimum size requirements are being finalized and will be announced in advance of implementation.

Text of the Final Amendments

No changes have been made to the Amendments since publication of the Request for Comments. The Amendments will be finalized in the form attached as **Appendix B**.

Effective Date

The effective date of the Amendments will be announced once the launch date has been finalized.

[2] For the purposes of the application of the CSA's Order Protection Rules set out in Part 6 on National Instrument 23-101 *Trading Rules*.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

1. BMO Nesbitt Burns (BMO)
2. Canadian Securities Traders Association (CSTA)
3. CIBC World Markets (CIBC)
4. IGM Financial (IGM)
5. ITG Canada (ITG)
6. KOR Group (KOR)
7. Maison Placements Canada (Maison)
8. National Bank Financial (NBF)
9. Raymond James Ltd. (RJL)
10. RBC Capital Markets (RBC)
11. Scotia Capital (SCI)
12. TD Securities, Inc. (TD)
13. Aequitas Neo Exchange (Aequitas)
14. Chi-X Canada (Chi-X)

Capitalized terms used and not otherwise defined shall have the meaning given in the Request for Comments published on the OSC website on November 6, 2014.

Note: The TSX Alpha Exchange responses anticipate OSC consideration of the TSX Alpha Exchange proposal on the basis of it being treated as 'non-protected' for the purposes of the application of the Order Protection Rule.

Summarized Comments Received	*TSX Response*
Two commenters expressed concern regarding the risk of Canadian order flow migrating away from our domestic market and were supportive of the objectives underlying the TSX Alpha Exchange proposal to mitigate this risk. (RJL, TD) A supportive commenter noted that there are currently no mechanisms for retail orders in Canada to capture benefits accessible in the US, including superior execution quality relative to non-retail orders, larger fills and price improvement. (SCI)	We acknowledge and appreciate the support from commenters regarding the underlying objectives of the changes to TSX Alpha Exchange, which are intended to provide superior, domestic execution for active natural order flow in a way that will help retain that order flow in Canada.
A number of commenters expressed the view that OPR should not apply to a speedbump market given the potential added complexities for order handling and routing and other issues	We appreciate commenters' views and are supportive of an approach under which OPR does not apply to visible speedbump markets.

that might arise from the application of a delay in the processing of received orders. (BMO, NBF, RBC, SCI, TD, Chi-X, CSTA)	The concerns arising from the application of OPR to a visible speedbump market apply to all visible speedbump markets. We therefore expect that the status of other visible speedbump markets under OPR will be revisited to ensure consistency in how the principles of OPR are applied. These principles and their application should be the same regardless of the nature of the speedbump or how it is applied because any complexities and issues that might arise from a delay on accessing liquidity arise through the application of the delay itself, and are not dependent on the type or category of participant to which that delay is applied.
Application of speedbump and related implications	
Commenters that identified implications for order handling and routing where OPR is applied to a visible speedbump market focused on concerns around added routing complexity, particularly for large active orders accessing liquidity at multiple price levels, and on the implications for execution quality to the extent the speedbump might promote signaling and quote fading. (BMO, CSTA, IGM, ITG, KOR, RBC, SCI, TD, Aequitas, Chi-X) Two commenters indicated that if the minimum size requirements are sufficiently large, it may counter-balance these issues. (CSTA, KOR) One of the commenters suggested the size should be significantly larger than the typical size of a retail order and cover the majority of active parent orders handled by smart routers. (CSTA)	We believe these concerns would be largely addressed if TSX Alpha Exchange was considered to be 'non-protected' for OPR purposes. In these circumstances, participants would have the flexibility to determine whether, how and when to access displayed orders on TSX Alpha Exchange taking into consideration any potential implications for best execution, in terms of both the risks and benefits for client orders. As participants observe best execution being met on TSX Alpha Exchange, they can choose to include TSX Alpha Exchange as a routing destination to achieve improved quality and cost of execution. In response to comments, we have decided to reduce the speedbump duration initially to a range of 1 – 3 milliseconds (randomized), a level that is reflective of existing network latencies. This, together with the effect of our planned minimum size requirements, will further reduce any risk of quote fading for those dealers that would choose to continue to execute client orders on a 'non-protected' TSX Alpha Exchange. *Benefits to be considered relative to risks* We believe the TSX Alpha Exchange model, even if considered to be 'non-protected' under OPR, will present a number of benefits for investors and the dealers handling investor orders that will

	more than offset the potential risks identified by commenters. These benefits are expected to include: • better average trade prices for active retail and institutional flow and greater certainty of execution as a result of increased market-wide volumes that will result from net new liquidity provided on TSX Alpha Exchange; • higher fill sizes and increased execution quality facilitated by the minimum size requirements to be applied to Post Only orders; • increased likelihood of receiving a full fill on TSX Alpha Exchange for both retail and institutional orders, resulting in decreased opportunities for signaling and quote fading otherwise present today; • lower explicit trading costs for dealers managing natural retail and institutional active order flow as a result of inverted make/take pricing[3]; and • reduced complexity, fragmentation and associated costs to be realized through the closure of TMX Select and Alpha IntraSpread, and the streamlining and harmonization of TSX Alpha Exchange's product offering. *Means to manage any significant issues, should they arise* We believe that considering TSX Alpha Exchange to be 'non-protected' would address the concerns raised by comments. However, if TSX Alpha Exchange's short duration speedbump materially increases occurrences of signaling and quote fading in the market (contrary to our expectations), then there are a variety of additional remedial actions that we could take (in addition to a dealer choosing to execute its client orders elsewhere). Remedial actions may include increases to

[3] Subject to regulatory approval.

	minimum size requirements, and further adjustments to the speedbump duration, or both. For example, we would expect that increasing the minimum size requirements would increase displayed size at top-of-book, thereby further reducing the potential for signaling and quote fading issues by reducing the need for cross-market and multi-price sweeps, and through increased opportunities for achieving a full fill on TSX Alpha Exchange. To the extent that liquidity providers cannot accommodate an increased minimum size requirement for a particular symbol at a point in time, this will result in an absence of liquidity on TSX Alpha Exchange for that symbol, thereby removing any reason to access TSX Alpha Exchange. Minimum size requirements can therefore act as an 'all-or-nothing' control and are an effective remedy against quote fading. Modifications in speedbump duration or a narrowing of the randomization range are another tool that would help reduce any incremental impact of the TSX Alpha Exchange speedbump (when balanced against the benefits of the liquidity to be available on TSX Alpha Exchange), by increasing the effectiveness of routers in accessing the displayed liquidity on TSX Alpha Exchange and by further reducing quote fading opportunities.
Three commenters identified the randomized nature of the proposed speedbump as a contributor to the above-noted issues (BMO, CSTA, SCI). One of these commenters suggested that if the duration of the speedbump was fixed rather than randomized, it would help towards addressing quote fade risks and other issues that might arise with multi-price sweeps. (SCI)	In our view, a randomized speedbump will better facilitate the desired outcome of increased displayed size at top of book and increased execution quality on TSX Alpha Exchange for both active retail and institutional flow. We note that if TSX Alpha Exchange is to be considered 'non-protected' under OPR, dealers will have increased flexibility to determine whether, how and when to access TSX Alpha Exchange displayed orders in the context of best execution of the potential impact on its client orders. We also believe that the short duration of the speedbump initially planned will help mitigate the identified risks, and appropriately balances these risks against the benefits.

Some commenters indicated that the TSX Alpha Exchange model furthers the trend towards segmentation. (BMO, CSTA, NBF, RBC, TD, SCI) Certain of these commenters suggested that the TSX Alpha Exchange model is designed to specifically target smaller active retail orders, while discouraging or prejudicing large institutional orders. (CSTA, Maison, RBC, SCI) One of these commenters questioned whether prejudicing large orders was appropriate in the spirit of fair access. (CSTA) Some commenters expressed the view that the speedbump proposed by TSX Alpha Exchange, being uniformly applied to liquidity taking orders from all market participants, is a more fair and equitable approach and consistent with fair access principles, as compared to a model under which the speed bump is applied to a specified class of participants. (CIBC, TD, Chi-X) Another was of the view that participants who do not find value in marketplace speedbumps can simply continue to trade on other venues at no detriment. (CIBC)	The TSX Alpha Exchange model represents a market-driven commercial solution to the issue of the migration of retail order flow away from the Canadian markets that was designed to work within the existing regulatory framework. Part of achieving this objective involved designing a speedbump that would apply equally to all liquidity taking orders, irrespective of the type or class of account or participant, and consistent with the principles underlying fair access. The model is also designed to better service retail needs while not precluding participation by institutional orders that would also benefit. Active institutional orders will benefit from increased displayed size on TSX Alpha Exchange, while passive institutional orders will benefit from an increased likelihood of interacting with natural active order flow. The use of incentives is intended to promote certain types of behaviours (e.g., speedbump and minimum posting requirement to promote size, rebates to attract to cost-sensitive active flow). Creating incentives to promote certain types of behaviors and order flow is a common practice employed by all marketplaces in some form or other, and naturally results in varying degrees and forms of segmentation. We note, however, that incentives are different from explicit and prejudicial forms of segmentation applied based on type or category of participant such as those recently approved for Aequitas. We also note that by creating a model that incents retail order flow to execute in Canada, we are seeking to support the integrity and vibrancy of the Canadian capital markets, which benefits all investors including institutional clients. Any 'hollowing' of the Canadian market will have a much stronger negative impact on quality of execution for large and small institutional orders than any incremental quote fading that may be made possible through the introduction of the short duration speedbump on TSX Alpha Exchange.
Two commenters expressed the view that the	It is our understanding that the section 5.8 of NI

speedbump violates section 5.8 of NI 21-101, as it results in discrimination against liquidity taking orders routed across multiple marketplaces in favour of directed liquidity taking orders targeted to consume liquidity on TSX Alpha Exchange only. (ITG, RBC)	21-101 pertains specifically to discrimination between orders routed to a marketplace and orders entered directly to the same marketplace and is intended to prevent a marketplace from discriminating against an order sent from a competing marketplace's router. The speedbump applies to all orders that have the potential to take liquidity. There is no difference in treatment between speedbumped orders entered directly to TSX Alpha Exchange vs. those received from a router, and therefore no discrimination that would be in violation of the requirements.
Four commenters indicated that the TSX Alpha Exchange model and a lack of the application of a speedbump to Post Only orders favours HFT liquidity provision, thereby facilitating signaling and quote fade issues, and disadvantaging institutional passive orders. (CSTA, IGM, KOR, Maison, RBC) One of these commenters expressed that strategies involving orders that are not intended to be executed may create a false and misleading perception of liquidity on a marketplace, and that the TSX Alpha Exchange proposal enables this by facilitating rapid order cancellation and unreliable quotes. (CSTA)	Post Only orders are a common offering amongst Canadian equities marketplaces today, including on Aequitas Neo Book, which also has a speedbump and where all passive orders are effectively Post Only.[4] Excluding Post Only orders that meet minimum size requirements from the speedbump on TSX Alpha Exchange is intended to allow any type of participant providing liquidity to effectively manage risk, where the cost of adverse selection is more important than the opportunity cost of a missed fill caused by a minimal delay in the booking of an order. Through this, we intend to promote more aggressive quoting and higher displayed size to the benefit of liquidity taking natural investors. The minimum size requirements are imposed as a trade-off to the benefit of avoiding the speedbump, and to facilitate the desired outcome of increased displayed sizes. By not extending this benefit to small-sized Post Only orders (they will be rejected upon entry), we believe this will help to mitigate some of the noted concerns.

[4] Section 8.03 of Aequitas Neo Exchange Trading Policies states that: "Liquidity Providing Orders posted in the NEO Book™ will be booked and will not interact with any Liquidity Providing Orders resting in the NEO Book™. A Liquidity Providing Order entered into the NEO Book™ that would be tradable would be immediately cancelled unless marked as Protect and Reprice." In TSX Alpha Exchange's Trading Policies a "Post Only" order is defined as an order that "is cancelled at the time of entry if any portion of the order is immediately tradable." The "Protect Reprice" functionality is also available for use on a Post Only order entered to TSX Alpha Exchange, as it is for the similar Liquidity Providing Order upon entry to Aequitas Neo Book™.

	The model also encourages any party that can post size greater than the minimum size requirements, including an institutional client, to use the Post Only order attribute. Any party that does not wish to commit to the specified minimum size will still be able to post passively on TSX Alpha Exchange, but their orders will be subject to the speedbump. We view the difference in treatment between larger Post Only and small-sized / non-Post Only as reasonable considering the trade-off imposed on larger Post Only orders in the form of minimum size requirements, and considering that access to the benefits to be afforded to Post Only orders will be available to all. We expect that the benefits conferred on Post Only orders that meet minimum size requirements will encourage and justify use by a variety of participant types, and specifically for institutional passive orders. We would also expect that best execution considerations should support the placement of large-sized Post Only orders on TSX Alpha Exchange by or on behalf of institutional clients. Finally, we agree that strategies involving the entry of orders that are not intended to be executed may create a false and misleading perception of liquidity on a marketplace, and should continue to be monitored by IIROC as is the case today, regardless of the type of order used to execute such strategies.
One commenter indicated that if TSX Alpha Exchange is not protected for OPR purposes, it would be best to make the speedbump duration longer and the randomization range smaller. This would mitigate speed advantages between liquidity providers and put a premium on size commitment and pricing, improving the available liquidity and outcomes for active order flow. (NBF)	We appreciate the suggestion, but have decided in response to other comments to initially launch with a randomized speedbump that is between 1 and 3ms in length in order to balance the benefits and outcomes we are trying to achieve, and the risks that commenters associated with the longer speedbump originally proposed.
Minimum size requirements for Post Only orders	
One commenter viewed minimum posting size as an important feature for facilitating certainty of execution on TSX Alpha Exchange, and was of the	We agree that refinement of minimum size requirements post-launch of TSX Alpha Exchange may be necessary in order to find the best

view that this should be a commercial negotiation between TSX Alpha Exchange and its liquidity providers to ensure an appropriate equilibrium point between certainty of execution and the economics for the provided liquidity. (NBF)	balance between the competing interests of liquidity providers and liquidity takers. We intend to provide sufficient transparency and notice of changes to minimum order sizes.
A commenter not opposed to the introduction of Post Only orders with minimum size constraints requested further details and made suggestions regarding how minimum volume requirements would be disseminated and managed. (CIBC)	Minimum size requirements will be communicated for all symbols in advance of implementation, and will be disseminated in the TSX Alpha Exchange data feeds on a daily basis. We intend for there to be a limited number of minimum size categories to reduce the potential for complexity and confusion. We do not anticipate frequent changes to the sizes assigned to each category (e.g., quarterly).
The same commenter proposed an alternative approach of allowing all passive orders above the minimum size requirements to bypass the speedbump, regardless of whether it is marked Post Only, suggesting it to be a simpler implementation of the same concept. (CIBC)	We considered this approach, but were concerned that it may be inconsistent with our objective of assisting liquidity provision through the application of the speedbump to any order that has the possibility of taking liquidity (regardless of size). We continue to believe that the better approach is to provide choice to users as to how they manage their passive orders, subject to appropriate trade-offs.
One commenter expressed concern that the imposition of a minimum size to bypass the speedbump would limit the ability of participants to split their passive order among venues, without encountering a latency tax. (ITG)	Participants will continue to be able to choose to split their passive order among venues (including TSX Alpha Exchange). In addition, there are no obligations to post passively on a particular market. A participant is free to choose: (1) whether to post size on TSX Alpha Exchange and avoid the speedbump; (2) post small size on TSX Alpha Exchange and be subject to the speedbump, or (3) post elsewhere. The choice made is a best execution decision that should be viewed in terms of the costs and benefits of that decision for the client.
Inverted make-take pricing model	
Three commenters indicated a view that the plan for inverted make-take pricing contributes to perverse asymmetrical incentives and inefficiencies in equity markets by putting broker	The payment of rebates for active orders is intended to help replicate some of the incentives that have made the routing of retail order flow outside of Canada attractive. To disallow active

interests in direct conflict with their clients. (KOR, RBC, Aequitas)	rebates would put Canadian marketplaces at a competitive disadvantage relative to execution options available in the US (including active rebates offered by US marketplaces on which interlisted securities are traded.) In addition, there are currently other equities marketplaces in Canada using an inverted make-take model for trading fees – this is not new or novel. The concerns relating to conflicts of interest arise wherever there are differences in fee models and fee levels between marketplaces for trading the same securities. We expect that dealers will continue to manage these conflicts in the context of achieving best execution for their clients when making decisions regarding order placement on TSX Alpha Exchange, just as they must do today given the range of fee models and levels offered within Canada and the US.
Cost implications	
Some commenters raised concerns with the costs to dealers and service vendors that may result from any added complexity or from any needed changes to order routing strategies. (CSTA, ITG, SCI, Aequitas) One commenter did not anticipate the introduction of new order types and market access speed delays on TSX Alpha Exchange would introduce significant cost or complexity at-the-trade, but would introduce "marginally greater complexity to smart order routing logic and to trading platforms in general". However, it identified these as being limited to the introduction of new order types and offset by reduced complexity via the streamlining of the TSX Alpha Exchange offering. (CIBC)	As noted by a commenter and consistent with industry feedback received by TSX Alpha Exchange in general, many participants and vendors expect to see cost savings in the form of simplified operational infrastructure and testing processes as a result of the reduced complexity from the streamlining of the TSX Alpha Exchange offering and from the decommissioning of two order books, TMX Select and Alpha Intraspread. The TSX Alpha Exchange model is also expected to bring benefits through better quality execution and rebates for active order flow that should also be considered. Any potential costs associated with the implementation of the speedbump on TSX Alpha Exchange are dependent on the extent to which any complexities or impacts actually materialize, considering that the speedbump will be initially implemented with a duration that is reflective of existing differences in network latencies that participants are already accustomed to

	managing. In addition, any concerns about potential costs would be largely addressed if TSX Alpha Exchange is 'non-protected' for OPR purposes. In such circumstances, dealers would have added flexibility and discretion to determine whether, how and when to access TSX Alpha Exchange, taking into consideration the potential costs and risks and weighing these against the benefits of the new TSX Alpha Exchange model for client orders. This added flexibility will have direct implications on the extent and timing of any modifications to routing strategies that a dealer or vendor might choose to make. We acknowledge that in some cases, participants may choose to undertake routing related changes to assist in achieving best execution and competitive differentiation in an environment with 'non-protected' speedbump markets. In these cases, we view this as part of the continued adaptation and optimization of order routing that has taken place over many years and that will continue to occur in response to constantly evolving market and competitive dynamics. In other cases, we understand that participants may choose to not make immediate changes to their routing technology when the TSX Alpha Exchange model is introduced. We believe that many participants will initially use existing or slightly modified configurability and functionality to manage the new TSX Alpha Exchange model. Such participants will evaluate and modify smart order routing strategies if a need to make changes is demonstrated over time.
Two commenters identified increased compliance monitoring costs as a potential outcome. (CIBC, Aequitas). One identified these costs as arising from the need for more complex trade supervision and compliance programs to manage the random nature of speedbumps and other intra-market complications relating to trade-through processing, order protection and best execution measurement. (CIBC)	It appears that the specific concerns identified may relate to the potential effect of randomization on sequencing of orders, and how this might complicate order and trade monitoring and supervision processes that are dependent on sequencing being maintained. We have designed the speedbump in a way that will maintain sequencing of received orders for execution processing purposes, despite randomization of

	the speedbump delay, to help minimize the downstream implications (including for compliance monitoring). Further, we believe that the more general concern about compliance complexities can arise for any 'protected' visible market with a speedbump or explicit segmentation. Some of these concerns would be addressed if TSX Alpha Exchange was to be considered 'non-protected'. These concerns should therefore be considered by regulators more broadly as part of any continued review of the application of OPR to speedbump markets, rather than in the context of specific marketplace proposals. Notwithstanding the above, we also expect that any participant that is classified, or has clients that will be classified, as 'Latency Sensitive Traders' for the purposes of the application of a randomized delay to liquidity taking orders on Aequitas Neo Book (e.g., co-located formal ETF Market Makers) might face similar issues pertaining to trade supervision and compliance. For such participants, we expect that any solution for issues arising for trade supervision and compliance could be leveraged for the purposes of the TSX Alpha Exchange speedbump.
Other changes proposed to TSX Alpha Exchange to streamline and harmonize existing functionality	
Comments were received in support of the closure of TMX Select and Alpha IntraSpread, and the measures proposed to streamline and harmonize existing TSX Alpha Exchange functionality relative to functionality on the other TMX equities marketplaces. A reduction in market complexity and costs were identified as the main benefits. (BMO, CIBC,CSTA, NBF, RJL)	We acknowledge and appreciate the support from commenters regarding the changes intended to reduce market complexity, fragmentation and costs for the trading community, without compromising on choice.
Other	
Three commenters expressed the view that the changes present the risk of losing institutional flow on interlisted securities to the U.S. markets.	We believe this comment is premised on concerns around potential complexities for order handling / routing and risks associated with the

(ITG, Maison, Aequitas).	proposed speedbump that might cause participants to choose to send their order flow elsewhere. These concerns would be addressed if TSX Alpha Exchange was considered to be 'non-protected' for OPR purposes, as participants would have increased choice as to whether, how and when to access displayed quotes on TSX Alpha Exchange. In addition, we believe these comments do not contemplate the incentives for institutional flow to remain in Canada that will arise from the benefits of the TSX Alpha Exchange model, including: • retention of retail flow in Canada, facilitating continued depth and narrow spreads; • increased opportunity for better average trade prices from increased market-wide displayed liquidity at top-of-book; and • higher average fill sizes or complete fills on TSX Alpha Exchange for algo-managed orders, which we understand represents a significant percentage of institutional flow.
Two commenters submitted that the examples provided of other markets that apply delays in the processing of orders should not be viewed as precedents due to differences in functionality and stated objectives. (ITG, SCI)	Each of the markets identified in the notice apply some form of delay to orders before processing them for execution. As such, they serve as examples, even if they differ in terms of application and objective. What all of these delays have in common is that they impose a delay on accessing liquidity and therefore have the potential to create the complexities and issues raised by some commenters. The closest example in the Canadian context for equities trading is Aequitas Neo Book. The primary differences between the Aequitas Neo Book and the proposed TSX Alpha Exchange model are as follows: • the TSX Alpha Exchange speedbump will be applied on a more equitable basis to all liquidity taking orders (the Aequitas speedbump is limited to a specified class

	of participants); • the initial duration of the randomized speedbump on TSX Alpha Exchange at 1-3ms will be shorter than the duration of the Aequitas speedbump at 3-9ms; • both Post Only and non-Post Only passive order types can be posted to TSX Alpha Exchange (it appears that all passive orders on Aequitas Neo book are effectively Post Only);[5] and • liquidity-taking on TSX Alpha Exchange is available to marketplace orders of longer duration than 'immediate' (all active orders entered to Aequitas are 'immediate-or-cancel' order types).
One commenter suggested that the minimum resting time for the 'long life' order type being considered for TSX and TSX Venture should be within the 5 to 10 second range. (RJL)	While out of scope for the proposed amendments for TSX Alpha Exchange, we appreciate the feedback regarding changes planned for TSX and TSX Venture that are intended to empower natural investors and other non-latency sensitive participants by rewarding committed liquidity. We welcome and encourage additional feedback. We plan to publish the proposed 'long life' order type for comment in the coming months.

[5] See footnote 2.

APPENDIX B

TEXT OF THE FINAL AMENDMENTS