

**13.2.2 Canadian Securities Exchange – Significant Change Subject to Public Comment – Amendments to Trading System Functionality & Features – Notice and Request for Comment**

**Notice 2017-010**

**May 11, 2017**

**CANADIAN SECURITIES EXCHANGE**  
**SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT**  
**AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY & FEATURES**  
**NOTICE AND REQUEST FOR COMMENT**

The Exchange is filing this Notice and an amended Exhibit E to Form 21-101F1 in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendix B to the Exchange's recognition order ("Protocol").

**A. DESCRIPTION OF THE PROPOSED AMENDMENTS**

The Canadian Securities Exchange ("CSE" or the "Exchange") intends to reactivate "On-Stop" orders.

**On-Stop Orders (often referred to as "Stop Loss")**

The On-Stop order type will be reactivated in the CSE trading system. The following describes how On-Stop orders are processed.

On-Stop orders are limit or market orders that are inactive and undisplayed until the market price (National Last Sale Price) hits or passes through a specified trigger price.

When a security trades at or through the trigger price, the On-Stop order becomes an active buy/sell order. It will be evaluated for OPR compliance and traded, booked, repriced and booked, or cancelled based on OPR logic, user preference and market conditions. On-Stop orders may be entered with a fixed trigger price, or a trailing price, offset from the last sale price.

All aspects of the On-Stop are the same with a fixed trigger price or trailing offset price, except that the offset trigger price is calculated and moves with the market, whereas the basic on-stop the trigger is specified by the user at the time of entry and remains fixed. The calculated trigger price is based on the National Last Sale Price adjusted by a user defined offset specified at the time of entry as a dollar value.

The initial trigger price is calculated as National Last Sale Price minus the offset for Sell orders or as National Last Sale Price plus the offset for Buy orders. With each change of the National Last Sale Price the calculated trigger price is re-evaluated. If the calculated value would result higher calculated trigger price of a sell order, or a lower trigger price in the case of a Buy, the calculated trigger price will be adjusted.

**Conditions**

- On-Stop orders must have a trigger price or offset greater than zero.
- Unpriced On-Stop orders will not be accepted (must be marked Mkt or Limit with a specified limit price).
- On-Stop orders will not be accepted unless marked OPR Reprice or OPR CXL.
- Sell orders must have a fixed or calculated trigger price at or below the last sale price and equal to or greater than the limit price.
- Buy orders must have a fixed or calculated trigger price at or above the last sale price and equal to or lower than the limit price.
- On-Stop orders will be triggered immediately on receipt if the trigger price is equal to National Last Sale Price at the time of receipt.

**B. Expected Implementation Date:** September, 2017

Availability for testing in the CSE GTE was announced January 31, 2017 and testing commenced on March 6, 2017. The functionality will not be part of the May 2017 release and has been removed from the GTE until after that release.

**C. Rationale and Analysis**

On stop orders have been available for decades. CSE Dealers have requested the reinstatement of this specific order type on behalf of their retail clients.

**D. Expected Impact**

The reinstatement of on stop orders will provide additional risk management capabilities. The changes are being implemented in response to customer demand.

**E. Systemic Risk**

The CSE does not believe that any increase in systemic risk would be introduced with the approval of the proposal.

**F. Compliance with Ontario Securities Law**

There will be no impact on the CSE's compliance with Ontario securities law. The changes do not alter any of the requirements for fair access or the maintenance of fair and orderly markets.

**G. Consultation**

The CSE has consulted with a number of dealers and industry stakeholders and considered the feedback received during informal dialogue.

**H. Technology Changes**

CSE is not aware of any technological changes that will be required by participants or vendors. The basic order type exists on other marketplaces and the offset price will use an existing FIX tag.

**I. Alternatives**

No alternatives were considered.

**J. Other Markets or Jurisdictions**

TMX Group (TSX, TSX-V, TSX-Alpha): An On-stop order is a limit priced order which resides undisplayed in the On-Stop book until its limit price is "triggered" at which time it becomes a regular limit order in the Continuous Limit Order Book (CLOB). An undisplayed On Stop Sell order is triggered when TSX (or TSX-V or Alpha, the exchange on which the order is booked) prices trade down to or through the limit specified on the On-Stop order. An On Stop Buy order is triggered when TSX/V prices trade up to or through the limit specified on the On-Stop order. Once triggered the On-Stop order will trade in the CLOB subject to its limit with any untraded volume fully displayed at its limit price. TMX On-Stop orders Trigger price is always equal to its limit price.

**K. Comments**

Please submit comments on the proposed amendments no later than June 12, 2017 to:

**Mark Faulkner**

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