

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Canadian Securities Exchange – Notice 2014-003 – Request for Comments – Self Trade Prevention

NOTICE 2014-003 – CSE – REQUEST FOR COMMENTS – SELF TRADE PREVENTION

April 11, 2014

The Canadian Securities Exchange (“CSE” or the “Exchange”) intends to make available to Dealers a “self-trade prevention” function that will re-price or reject orders that would otherwise be executable upon entry. The Exchange is publishing this Notice in accordance with the process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendix B to the Exchange’s recognition order.

Comments may be provided no later than May 12, 2014 and should be addressed to:

Mark Faulkner
Vice President, Listings and Regulation
CNSX Markets Inc.
220 Bay Street, 9th Floor
Toronto, ON, M5J 2W4
Fax: 416.572.4160
Email: Mark.Faulkner@cnsx.ca

A copy should be provided to:

Susan Greenglass
Director, Market Regulation
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

Terms not defined in this Notice are defined in the CNSX Rules.

Proposed Change

Self Trade Prevention – The Exchange will be providing for Dealers an optional function that prevents two orders from the same firm with matching “keys” from trading against each other by cancelling or re-pricing the incoming orders at the user’s option. This will prevent same firm orders or same beneficial owner orders from trading against each other.

Effective Date

The self-trade prevention functionality will be introduced, following public comment and OSC approval, on the later of:

- I. the date that the Exchange is notified that the change is approved;
- II. if applicable, the date of publication of the notice of approval on the OSC website; and
- III. a date designated by the Exchange.

Rationale

The proposed change will provide dealers with an additional compliance tool that will provide better overall market quality with respect to trade execution and increased accuracy in trade reporting.

Impact

Self Trade Prevention will provide system-enforced avoidance of “self trades” at the option of Dealers and clients. None of the changes should introduce any additional costs to dealers.

Exchange Compliance

The new functionality does not affect Exchange compliance with Ontario Securities law, nor will it have a detrimental effect on fair access or the maintenance of a fair and orderly market.

Consultation

During consultation with dealers it has become evident that traders view this as an essential tool, used in part to comply with wash trading rules while meeting their OPR requirements in addition to other risk controls.

Technological Change

For Dealers and technology vendors modifications would be minimal. The functionality is currently available in the CSE test environment for vendors and dealers.

Comparable Functionality

The feature is common and currently available through marketplaces or third party vendors for all “lit” marketplaces in Canada.

Questions about this Notice may be directed to:

Mark Faulkner
Vice President – Listings & Regulation
Mark.Faulkner@cnsx.ca or 416.572.2000 x2305