

B.11.2.2 Neo Exchange Inc. – Proposed Public Interest Rule Amendment to the NEO Trading Policies – Request for Comments

NEO EXCHANGE INC.

PROPOSED PUBLIC INTEREST RULE AMENDMENT TO THE NEO TRADING POLICIES

REQUEST FOR COMMENTS

Introduction

Neo Exchange Inc. (“**NEO**” or the “**Exchange**”) is publishing a proposed public interest rule amendment to the NEO Trading Policies (the “**Trading Policies**”) in accordance with Schedule 5 to its recognition order, as amended (the “**Public Interest Rule Amendment**”). The Public Interest Rule Amendment was filed with the Ontario Securities Commission (the “**OSC**”) and is being published for comment. A description of the Public Interest Rule Amendment is set out below and the text of the Public Interest Rule Amendment is set out in Appendix A. Subject to any changes resulting from the comments received, the Public Interest Rule Amendment will be effective upon publication of the notice of approval on the OSC’s website.

Description of the Public Interest Rule Amendment

We are proposing to offer a new order type, the On-Stop order (also referred to as a “Stop Loss” order), by amending section 6.02(2) (Order Modifiers – Functional Attributes), under Part VI (Trading in NEO-L) of the Trading Policies, to add the following:

On-Stop A Limit Order or Market Order which resides inactive off the book until it is “triggered” at which time it can interact with other orders. An On-Stop order is triggered when the LSP trades down to (if it is a sell order) or up to (if it is a buy order) or through the stop price specified on the On-Stop order. Once triggered, the On-Stop order will trade in NEO-L up to its limit and any unfilled volume will be posted at its limit price (or if it is a Market Order converted to a Limit Order at the LSP).

Note that the trigger for On-Stop orders is based on the Last Sale Price (LSP) which has the meaning set out in UMIR. I.e. the national last sale price and not only the last sale price on NEO-L.

Conditions:

- On-Stop buy orders must have a trigger price equal to or less than the limit price.
- On-Stop sell orders must have a trigger price equal to or greater than the limit price.
- On-Stop orders may only be entered with a fixed trigger price.
- On-Stop orders can only be triggered during the continuous trading session between 09:30 – 16:00.
- On-Stop orders can be marked with either Protect and Reprice or Protect and Cancel and will be evaluated for OPR compliance at the time they trigger.
- On-Stop orders submitted during the pre-open session will be accepted and will remain inactive off the book and may be triggered immediately after the Opening Call. Following continuous trading session, any untriggered on-stop order in the system will not be triggered by the Closing Call.
- On-stop order can be triggered upon entry, or remain inactive off the book until triggered by LSP at which time it becomes an active order
- A triggered On-Stop Market or On-Stop Limit order is converted to its regular order type equivalent (i.e. On-Stop Market becomes a Market order and On-Stop Limit becomes a Limit order upon trigger).
- On-Stop orders submitted to NEO-N and NEO-D will be rejected.

Expected Date of Implementation

We are seeking to implement the Public Interest Rule Amendment in Q4 of 2023.

Rationale and Relevant Supporting Analysis

We have received many requests from NEO Members on behalf of their retail clients for this order type to be made available.

Expected Impact on Market Structure, Members, Investors, Issuers and Capital Markets

No impact is anticipated as the On-Stop order is not a novel concept and is currently available on other marketplaces.

Information on the On-Stop order offered by the CSE can be found in the CSE Order Types and Functionality document available [here](#), and information on that order type offered by the TSX can be found in the TMX Order Types and Functionality Guide available [here](#).

Expected Impact on Exchange's Compliance with Ontario Securities Law and on Requirements for Fair Access and Maintenance of Fair and Orderly Markets

The Public Interest Rule Amendment will not impact NEO's compliance with Ontario securities law and in particular the requirements for fair access and maintenance of fair and orderly markets. The proposed order type is common for equity marketplaces in Canada, and other Canadian marketplaces already offer such order type. The On-Stop order will be available for all marketplace participants.

Consultation and Review

We consulted with various NEO Members in connection with the introduction of On-Stop orders, and they were all supportive of the change as this order type has often been requested by their retail clients.

Expected Impact on the Systems of Members or Service Vendors

Because the On-Stop order exists on other marketplaces and the offset price will use an existing standard FIX tag, the technology changes required by NEO Members and service vendors are minor. No changes are required for those that do not want to take advantage of the new order type.

Alternatives Considered

No alternatives were considered.

New Feature or Rule

The On-Stop order is not a novel concept and is currently available on other marketplaces.

Comments

Comments should be provided, in writing, no later than October 2, 2023, to:

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with a copy to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON M5H 3S8
marketregulation@osc.gov.on.ca

Please note that, unless confidentiality is requested, all comments will be publicly available.

APPENDIX A

TEXT OF THE PUBLIC INTEREST RULE AMENDMENT

Trading Policies Section	Amendment
<p>Part VI. Trading in NEO-L</p> <p><i>6.02 Additional Order Modifiers Available in NEO-L</i></p> <p><i>(2) Order Modifiers – Functional Attributes</i></p>	<p>Added the following:</p> <p><i>On-Stop</i> A Limit Order or Market Order which resides inactive off the book until it is “triggered” at which time it can interact with other orders. An On-Stop order is triggered when the LSP trades down to (if it is a sell order) or up to (if it is a buy order) or through the stop price specified on the On-Stop order. Once triggered, the On-Stop order will trade in NEO-L up to its limit and any unfilled volume will be posted at its limit price (or if it is a Market Order converted to a Limit Order at the LSP).</p>