

13.2.2 Liquidnet Canada Inc. – Changes to Form 21-101F2 – Notice of Commission Approval

LIQUIDNET CANADA INC.

NOTICE OF COMMISSION APPROVAL

CHANGES TO FORM 21-101F2

On June 2, 2017, the Commission approved the amendments to Form 21-101F2 (**F2 amendments**) submitted by Liquidnet Canada Inc. (**Liquidnet**) on November 4, 2016. The F2 amendments relate to the introduction of a trading functionality that would allow Liquidnet's marketplace participants to send and receive targeted invitations to trade (**targeted invitation functionality**).

Liquidnet's proposed amendments were published for comment on December 1, 2016¹ in accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto* (the **ATS Protocol**). At the same time, OSC staff published a staff notice seeking comments and answers on a number of specific questions² (**OSC Staff Notice**). In order to provide more time for the public to consider the notices, the initial 30 day comment period was extended by the Commission for an additional 30 day period ending on January 9, 2017. The only comment letter received was from Liquidnet.³

In the OSC Staff Notice, we identified some key issues that Staff wanted feedback on. These issues related to the impact of targeted invitation functionality on the objectives of pre-trade transparency and whether the functionality itself is consistent with fair access principles.⁴

Staff continues to be of the view that fair access and pre-trade transparency are critical to an efficient and effective market. However, we also see the value in facilitating large executions for buy-side investors without providing their order details to the broader market or increasing their market impact costs.

In conjunction with the approval of the F2 amendments, the Director approved Liquidnet's application for relief from the pre-trade transparency requirements in NI 21-101 in regards to the targeted invitations functionality subject to the following specific terms and conditions:

- (i) The functionality is made available to buy-side subscribers who affirmatively consent to participate in the targeted invitations functionality.
- (ii) All orders associated with targeted invitations are subject to the minimum order size.
- (iii) Liquidnet will test the targeted invitations functionality prior to implementation to ensure the functionality works as designed and report to the Commission on the testing results.
- (iv) Liquidnet will analyze the impact of the targeted invitations and will share the results with the Commission at a time agreed upon with Staff.

The order providing Liquidnet with relief from the pre-trade transparency requirements in NI 21-101 in regards to the targeted invitations functionality is being published along with this notice of approval.

Liquidnet and Staff will monitor the possible impact of this proposal on the market.

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

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¹ http://www.osc.gov.on.ca/documents/en/Marketplaces/ats_20161122_rfc-liquidnet-proposed-changes.pdf.

² http://www.osc.gov.on.ca/documents/en/Marketplaces/ats_20161124_sn_liquidnet-proposed-changes.pdf.

³ <http://www.osc.gov.on.ca/en/53287.htm>.

⁴ See the OSC Notice for a detailed discussion.