

CHI-X CANADA ATS AND CX2 CANADA ATS

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

Chi-X Canada ATS Limited has announced plans to implement the change described below for both Chi-X Canada ATS and CX2 Canada ATS on or about 45 days after approval. We are publishing this Notice of Proposed Changes in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto". Market participants are invited to provide the Commission with comment on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **June 16, 2014** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

And to:

Matthew Thompson
Chief Compliance Officer
Chi-X Canada ATS Limited
The Exchange Tower
130 King Street West, Suite 2105
Toronto, Ontario M5X 1E3
Fax: (416) 368-9148
e-mail: matthew.thompson@chi-x.com

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

If you have any questions concerning the information below please contact Matthew Thompson CCO for Chi-X Canada, at 416 304-6376.

No Self Cross – Additional Option:

A. Description:

Chi-X Canada ATS and CX2 Canada ATS are proposing to introduce a new option as part of the No-Self Cross Feature offered as part of Chi-Controls Risk Management Suite. In addition to the

three versions available today (cancel first order, cancel last order and cancel and decrement), subscribers will be able to select to have fill reports received for both orders without having a trade be reported on the public feed. These fill reports will however be reported to IIROC in a standardized form via a real-time regulatory feed. The feature is enabled on an order-by-order basis through the use of two FIX tags; the first denotes a participant generated key to prevent orders with the same key value from trading against each other, the second informs the system which version of the No-Self Cross should be applied. The unique key provided by a Subscriber for this fourth implementation option is intended for use only on buy and sell orders for accounts that may result in trades where there is no change in beneficial or economic ownership. This option will assist certain dealers in not interfering with different strategies used by different and independent trading desks while also not threatening the integrity of the public tape.

A similar option is supported by Alpha Exchange and the Montreal Exchange.

B. Expected Implementation Date:

Conditional upon regulatory approval, implementation is planned for around June 30th 2014.

C. Rationale for proposed Change:

Marketplace tools can facilitate wash trade compliance on behalf of their subscribers. Given that dealers differ in size and in the business units they support, challenges can exist for a large sized integrated dealer to be able to manage all orders entered by the firm and consequently prevent all potential wash trades from happening. This option of No-Self Cross will allow different businesses within a firm to record an executed trade (as a journal) while not disrupting the public tape.

D. The expected Impact of the proposed Significant Change on Market structure for Subscribers, Investors and capital markets:

As discussed above the expected impact to subscribers will be that they will better be able to comply with their wash trades obligation.

E. Expected impact of the Significant Change on CX2's compliance with Ontario securities law and the requirements of fair access and the maintenance of a fair and orderly market:

We foresee no negative impact to fair access.