

13.2.2 Chi-X Canada ATS Ltd. – Notice of Proposed Changes and Request for Comment

CHI-X CANADA ATS LIMITED

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

Chi-X Canada ATS Limited has announced its plans to implement the changes described below on August 3, 2012. We are publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 "Transparency of the Operations of Stock Exchanges and Alternative Trading Systems" (OSC Staff Notice 21-703). Pursuant to OSC Staff Notice 21-703, market participants are invited to provide the Commission with comment on the proposed changes.

Comment on the proposed changes should be in writing and submitted by July 30, 2012 to:

Market Regulation Branch
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

And to

Dan Kessous
Chief Executive Officer
Chi-X Canada ATS Limited
130 King St., W, Suite 2105
Toronto, ON M5X 1E3
Email: dan.kessous@chi-x.com

Comments 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, a notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

**CHI-X CANADA ATS LIMITED
NOTICE OF PROPOSED CHANGES**

Chi-X Canada ATS Limited ("Chi-X Canada") has announced its plans to implement the change described below on August 3, 2012 unless otherwise noted. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Description of Proposed Changes and Reasons for Changes

Chi-X Canada will be enhancing its current self-trade prevention mechanism as follows:

Current functionality: Subscribers may elect to not permit orders to execute against orders entered with the same firm trader ID. Orders that would otherwise result in a "wash trade" are canceled.

Additional functionality: The proposed changes would allow Subscribers:

- (1) to specify which order (active or passive) gets canceled; and
- (2) if there is a difference in the number of shares between the two orders, to determine whether the difference gets booked or canceled.

Impact of the Changes

The proposed changes to the self-trade prevention feature will provide Subscribers with improved control on how their orders get canceled to prevent a "wash trade".

Currently when self-trade prevention is enabled for a particular trader ID, the active order is canceled to prevent the self-trade. The enhanced functionality will allow Subscribers to manage which of their active or passive order is being canceled.

In the case where the orders are different in share quantity, Subscribers will be able to choose to have the larger order reduced in size and booked and the smaller order canceled.

Consultations

Chi-X has consulted with industry participants who supported the proposed change.

Existence of Proposed Change in the Market

Although Chi-X, TSX and Alpha all offer one implementation of self-trade prevention, no other marketplace in Canada offers Subscribers the choice of multiple implementation options.

However other markets outside of Canada offer more than one choice of self-trade prevention. BATS Exchanges for instance offer "Cancel Newest", "Cancel Oldest" as well as "Decrement and Cancel".

Any questions regarding these changes should be addressed to Dan Kessous, Chi-X Canada: dan.kessous@chi-xcanada.com, T: 416-304-6372