

Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 Tradelogiq Markets Inc. – Omega ATS and Lynx ATS – Notice of Proposed Changes and Request for Comments

TRADELOGIQ MARKETS INC.

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENTS

OMEGA ATS AND LYNX ATS

Tradelogiq Markets Inc. is publishing this Notice of Proposed Changes and Request for Comments 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 comments on the Proposed Changes. Comments should be in writing and delivered by February 21, 2022, to:

Paul Romain
Chief Compliance Officer, and
Head of Market Structure
Tradelogiq Markets Inc.
25 York Street, Suite 612
Toronto, Ontario M5J 2V5
Email: paul.romain@tradelogiq.com

A copy should also be provided to:

Market Regulation Branch
Ontario Securities Commission
20 Queen St. W.
Toronto, Ontario M5H 3S8
Email: marketregulation@osc.gov.on.ca

Comments will be made publicly available. Upon completion of the review by Staff at the Ontario Securities Commission (**OSC**), and in the absence of any regulatory concerns, a notice will be published to confirm approval by the OSC.

Tradelogiq Markets Inc. (**Tradelogiq**) is filing proposed significant changes to both Omega ATS (**Omega**) and Lynx ATS (**Lynx**) in accordance with the Process for the Review and Approval of the Information Contained in Form 21-101F2 (**F2**) and the Exhibits Thereto (**Protocol**). Tradelogiq is filing this change as a significant change subject to public comment as the proposed change is categorized within paragraph 6.1(4)(a) of National Instrument 21-101CP (**NI 21-101CP**). Collectively, Tradelogiq refers to the changes identified below as the proposed changes (**Proposed Changes**).

The Proposed Changes will be applied to both Omega ATS and Lynx ATS identically and simultaneously.

A. The proposed Fee Change or Significant Change:

1. *Introduce hidden non-standard trading increment limit prices.*

Tradelogiq is proposing to allow subscribers to enter a limit price on midpoint peg orders at half-tick increments. Current functionality allows subscribers to enter mid-point limit orders at full tick increments only. The execution price of a mid-point pegged order continues to be calculated by the marketplaces based on the mid-point of the Protected Best Bid/Offer (**PBBO**).

As a result of this change, subscribers may assign upper or lower limits on their midpoint pegged orders with additional precision by expressing them with an extra decimal place. This is beneficial to subscribers as it will allow them to refine the limit price on their midpoint order to target a specific midpoint price, potentially avoiding executing trades at unintended prices in the case where there is a sudden change in the PBBO price.

Examples:

Example 1: BUY

1. PBBO is 1.50 / 1.51
2. Participant would like to buy at the midpoint of 1.505 but would not want to participate at the midpoint should the protected offer suddenly widen to 1.50 / 1.52 and the midpoint were to change to 1.51.
3. Participant enters mid-point pegged limit order to buy with a price of 1.505.
4. While PBBO is 1.50 / 1.51 the participant will be eligible to trade at the midpoint, should the PBBO widen to 1.50 / 1.52 the participant will not be eligible to trade at the midpoint as the midpoint price has changed to 1.51 and has moved to outside of the participant's limit price of 1.505.

Example 2: Sell

1. PBBO is 0.255 / 0.300
 2. Participant would like to sell at the midpoint of 0.2775 but would not want to participate at the midpoint if the bid were to suddenly widen to 0.250 / 0.300 and the midpoint were to change to 0.275.
 3. Participant enters mid-point pegged limit order to sell with a price of 0.2775.
 4. While PBBO is 0.255 / 0.300 the participant will be eligible to trade at the midpoint, should the PBBO widen to 0.250 / 0.300 the participant will not be eligible to trade at the midpoint.
2. Amend Intentional Crossing Functionality

Tradelogiq is proposing to allow subscribers to enter intentional crosses with special term settlement options. These terms would include both cash settlement and delayed delivery transaction dates. At this time, only cross orders with regular settlement (T+2) are supported.

- B. The expected date of implementation of the proposed Fee Change or Significant Change:

Tradelogiq is planning on launching the Proposed Changes in Q2, 2022 which is dependent on receiving all required regulatory approvals and meeting all internal scheduled timelines. Tradelogiq will advise subscribers of the approved changes and will meet the testing and technology timelines of section 12.3 of National Instrument 21-101 *Marketplace Operation (NI 21-101)*.

- C. The rationale for the proposal and any relevant supporting analysis:

1. Introduce hidden non-standard trading increment limit prices

Given that mid-point pegged orders can be executed at half tick increments, the proposed change affords subscribers the ability to send mid-point pegged orders with limit prices that can be expressed in half tick increments. This will allow subscribers to set limits prices with additional precision and remove the risk of executing orders above/below their intended limit midpoint price. This is a way for subscribers to better manage their execution risk.

2. Crossing Functionality

Omega and Lynx support the crossing of regular orders and bypass orders but do not currently afford our participants the capability to express special settlement terms on these crossing orders. The rationale for accepting special terms settlement options is to provide our subscribers with greater optionality in how they wish to cross and settle larger internal order flow. Often clients of our subscribers will require settlement dates that are not consistent with what is currently supported (T+2). We expect that this proposed functionality will give our subscribers more options as to where and how they want to execute this internal order flow. We also anticipate that this change will allow Tradelogiq to compete more equally with other marketplaces for internal order flow with special settlement terms.

- D. The expected impact, including the quantitative impact, of the proposed Fee Change or Significant Change on the market structure, subscribers and, if applicable, on investors and the capital markets:

We believe that the Proposed Changes will not have a negative impact on market structure, members, investors, issuers, or capital markets. The Proposed Changes represent voluntary order type functionality and subscribers may choose to use them as part of their overall trading strategies.

We expect that the Proposed Changes will allow subscribers to access more liquidity, seek better executions, and reduce their trading costs. Overall, we believe that this will improve market structure in Canada and benefit investors without having any negative impacts on capital markets.

- E. The expected impact of the Fee Change or Significant Change on the ATS's compliance with Ontario securities law requirements and in particular requirements for fair access and maintenance of fair and orderly markets:

The Proposed Changes comply with securities laws and meet the requirements for fair access and maintenance of fair and orderly markets. All the Proposed Changes are standard order type functionality that is available across most marketplaces in Canada and will be made available to all marketplace participants on an equal basis.

- F. A summary of consultations, including consultations with external parties, undertaken in formulating the Fee Change or Significant Change, and the internal governance process followed to approve the Change:

Tradelogiq is in the process of improving our competitive structure and has discussed the Proposed Changes with select subscribers. Given that none of the Proposed Changes are novel or new to the Canadian market, the subscribers who we consulted were supportive of the Proposed Changes. This approach was discussed and approved by the senior executives of Tradelogiq prior to filing the Proposed Changes for regulatory approval.

- G. For a proposed Fee Change:

1. The expected number of marketplace participants likely to be subject to the new fee, along with a description of the costs they will incur, and

N/A.

2. If the proposed Fee Change applies differently across types of marketplace participants, a description of this difference, how it impacts each class of affected marketplace participants, including, where applicable, numerical examples, and any justification for the difference in treatment.

N/A.

- H. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with an estimate of the amount of time needed to perform the necessary work and how the estimated amount of time was deemed reasonable in light of the expected impact or the Significant Change on the ATS, its market structure, subscribers, investors or the Canadian capital markets;

Subscribers and vendors will have enough time to prepare for the implementation of the Proposed Changes as Tradelogiq plans on allowing at a minimum 90-days to implement. Given that the Proposed Changes are voluntary order type functionality, we believe that the minimum 90 days is reasonable. Furthermore, the Proposed Changes are voluntary and are not required to be adopted by service vendors by the implementation date.

- I. Where the proposed Significant Change is not a Significant Change subject to Public Comment, the rationale for why the proposed Significant Change is not considered a Significant Change subject to Public Comment:

N/A.

- J. A discussion of any alternatives considered; and

No other alternatives were considered as we are focusing on implementing features that are already in existence on competing marketplaces.

- K. If applicable, whether proposed Fee Change or Significant Change would introduce a fee model or feature that currently exists in other markets or jurisdictions.

Yes. All the Proposed Changes are order type functionality that is currently being offered by most of the Canadian marketplaces. None of the Proposed Changes are based on new order functionality in Canada.