

**13.2.2 Chi-X Canada ATS Limited – Notice of Proposed Changes and Request for Comment – MOC Orders**

**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 change described below for Chi-X Canada ATS on May 1<sup>st</sup>, 2015 subject to regulatory approval. 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.” 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 Monday, March 23, 2015 to:

Market Regulation Branch  
Ontario Securities Commission  
22nd Floor, Box 55  
20 Queen Street West  
Toronto, ON M5H 3S8  
Fax 416 595 8940  
Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

And to

Matt Thompson  
Chief Compliance Officer  
Chi-X Canada ATS Limited  
130 King St., W, Suite 2105  
Toronto, ON M5X 1E3  
Email: [matthew.thompson@chi-x.com](mailto:matthew.thompson@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, 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” or “we”) has announced its plans to implement the change described below for Chi-X Canada ATS on May 1st, 2015 subject to regulatory approval. We are publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Summary of Proposed Changes

Chi-X Canada ATS (“CXC”) is proposing to introduce a new market on close order type, or MOC Order. CXC MOC orders are hidden and available for entry from 8:30am to a time just shortly before 3:40pm. These orders are unpriced and once matched will reference the listing exchange’s closing prices when they become available. Order matching will follow broker-time priority. Subscribers will be given the option to route any unmatched orders to the listing exchange MOC facility or to have these parts of the order be rejected back to them. Additionally, MOC orders can be entered as a Board lot, an Odd lot or a Mixed lot.

***Regarding the time when orders will not be eligible to be received before 3:40pm we seek feedback from stakeholders regarding what time they believe will be optimal.***

Expected Date of Implementation

The expected date of implementation is May 1<sup>st</sup> 2015.

Rationale and Relevant Supporting Analysis

Although multiple marketplaces now operate in Canada and competition exists for continuous trading, there continue to be specialty trading sessions that operate as individual monopolies. Such monopolies effectively hold customers captive for their services and enable providers to charge disproportionate high fees due to the lack of competitive forces that would otherwise drive prices lower.

The Toronto Stock Exchange’s (TSX) Market-On-Close Facility (MOC) is one such example of this type of monopoly. This facility offers customers the assurance of receiving the closing price for MOC eligible securities. It offers a particular benefit to index funds that are benchmarked to the closing price of each index constituent at the close of each trading day. At this time, given that the TSX closing price is used by several index methodologies for pricing purposes, we believe that by offering an MOC order type that will be competitively priced will offer the benefit of lowering trading costs while also ensuring the appropriate benchmark can be achieved.

We note that the CSA recently made clear in its Notice and Request for Comment to Proposed change to the Order Protection Rule that any proposed regulatory restrictions on trading fees that may be introduced will address active trading fees and not specialty trading sessions. We consequently propose that the introduction of the MOC order type is a commercial solution to lowering trading costs for the Market-On-Close Facility which in turn will pass these savings back to the industry.

Expected Impact on Market Structure Impact of the Changes

Little to no impact is expected from this change as customers will continue to control their choice of services.

Expected impact of Fee Change or Significant Change on Chi-X Canada’s Compliance with Ontario Securities Law and particularly with regard to Fair Access and the Maintenance of a Fair and Orderly Market

We see no impact from the proposed amendment on Chi-X Canada’s ability to comply with the fair access provisions or the obligation to maintain a fair and orderly market under NI 21-101.

Consultation and Review

This change is being made in response to requests by subscribers.

Estimated Time Required by Subscribers and Vendors (or why a reasonable estimate is not provided)

Whether or not a subscriber or vendor requires any additional development to support this new order type will depends on the subscriber or vendor’s system. It is likely some work may be required by certain front end systems which is anticipated to not require much time.

Discussion of any alternatives considered

No alternatives were considered.

Will Proposed Fee Change or Significant Change introduce a Fee Model or Feature that Currently Exists in other Markets or Jurisdictions

The proposed MOC order type will introduce a new feature to the Canadian market. We note however that similar order types exist in other regions. One example is Chi-X Australia that supports a Market-On-Close order that prints offsetting orders at the closing price of the listing exchange.

Any questions regarding these changes should be addressed to Matt Thompson, Chi-X Canada: [matthew.thompson@chi-x.com](mailto:matthew.thompson@chi-x.com), T: 416-304-6376