

13.2.2 SIGMA X Canada – Notice of Initial Operations Report and Request for Feedback

SIGMA X CANADA– NOTICE OF INITIAL OPERATIONS REPORT AND REQUEST FOR FEEDBACK

SIGMA X CANADA

NOTICE OF INITIAL OPERATIONS REPORT AND REQUEST FOR FEEDBACK

Goldman Sachs Canada Inc. (GSCI) has announced its plans to begin operating SIGMA X Canada as an Alternative Trading System (ATS). GSCI is publishing this Notice of Initial Operations Report 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 feedback on the information provided in this Notice.

Feedback on the Initial Operations Notice should be in writing and submitted by **April 18, 2011** 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:

Darren Sumarah
Goldman Sachs Canada Inc.
Royal Trust Tower
77 King Street West
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Toronto-Dominion Centre
Toronto, Ontario M5K 1B7
Email: darren.sumarah@gs.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 start date for operation of the ATS.

SIGMA X Canada

NOTICE OF INITIAL OPERATIONS REPORT AND REQUEST FOR FEEDBACK

Goldman Sachs Canada Inc. ("**GSCI**") will offer access to SIGMA X Canada, an alternative Canadian marketplace, to registered Investment Dealers that are members of IIROC in good standing ("**Subscribers**") and their clients (via direct market access) to trade securities listed on the TSX (other than debentures, securities with special settlement terms and those that trade in US dollars).

SIGMA X Canada will be a non-displayed ATS that provides continuous "price-time" priority matching. All trades will be executed with both counterparties receiving price improvement relative to the "national best bid and offer", defined as the best visible bid and offer (the "**NBBO**") of a standard trading unit of a security across all transparent marketplaces in Canada, excluding special terms orders.

Pricing Logic

Subscribers may enter orders at prices that are not immediately executable (e.g. limit orders or pegged orders) ("**Liquidity Providing Orders**") or at prices that are intended to be executed immediately (e.g. pegged market or marketable limit orders) ("**Liquidity Taking Orders**").

All executions will take place within SIGMA X Canada at prices within the NBBO. SIGMA X Canada will execute a trade when a Liquidity Taking Order matches with a Liquidity Providing Order in the platform within the NBBO. Additionally, if two Liquidity

Providing Orders are entered into the book and match within the NBBO, the second order that arrived and was time-stamped in the book becomes the Liquidity Taking Order for that execution based on price-time priority matching logic. The Liquidity Taking Order will always receive a minimum price improvement of 10% of the NBBO spread, while the Liquidity Providing Order will always receive price improvement of no more than 90% of the NBBO spread.

Limit orders posted in SIGMA X Canada are eligible for immediate execution against eligible contra-side orders. Posted limit orders may be cancelled and replaced prior to execution. Unexecuted limit orders posted in SIGMA X Canada will expire at 4:00 p.m. (ET) on the date of entry.

In determining price-time priority, pegged orders will not lose priority when re-priced within the book. Time priority at each price level within the book will always be determined by the time stamp assigned by the matching engine upon order arrival.

Hours of Operation

SIGMA X Canada will match orders from 9:30 a.m. to 4:00 p.m. (ET), provided the security is being quoted on a two-sided basis on at least one transparent marketplace. Subscribers may start sending orders to SIGMA X Canada for posting beginning at 7:00 a.m. (ET).

Order Entry Interface

Subscribers may submit orders to SIGMA X Canada using the Financial Information eXchange (“**FIX**”) protocol, a technical specification developed by the financial services industry for electronic communication of trade-related messages.

GSCI also will work with EMS/OMS vendors to allow for access and connectivity to SIGMA X Canada from their platforms.

Market Information

SIGMA X Canada is a non-displayed ATS and, accordingly, will provide no outbound indications of interest or quotes. SIGMA X Canada will report all executions for settlement purposes to CDS Clearing and Depository Services Inc. (“**CDS**”) and to the applicable information processor (i.e. the Toronto Stock Exchange) upon execution.

Order Handling, Types and Instructions

Subscribers of SIGMA X Canada will be able to enter the following order types with time in force information and optional order modifiers outlined below.

Limit order

An order to buy a security to be executed at a specified maximum price, and an order to sell a security to be executed at a specified minimum price.

Pegged orders

- *Mid peg order:* An order that is continuously pegged to the mid-point of the NBBO and can execute against an opposite mid-peg order, market peg order or incoming limit order.
- *Primary peg order:* A reference-priced order that is automatically priced, and subsequently re-priced as necessary, to equal either the reference bid price, in the case of a buy, or the reference offer price, in the case of a sell, based on the NBBO.
- *Market peg order:* A reference-priced order that is automatically priced, and subsequently re-priced as necessary, to equal either the reference offer price, in the case of a buy, or the reference bid price, in the case of a sell, based on the NBBO.

Time in Force Orders

- *Day order (DAY):* An order which expires at 4:00 p.m. (ET) on the date of entry. All unexecuted orders in SIGMA X Canada by default are considered day orders and will expire at this time. DAY orders route to SIGMA X Canada directly, and interact with other marketable orders within the book as well as orders passing through SIGMA X Canada to leverage a smart order router, if applicable.

- *Immediate or cancel (IOC)*: An order which is eligible to receive a full or partial fill. Any portion of an IOC order that is not filled is cancelled immediately. IOC orders check for an immediate execution within SIGMA X Canada. IOC orders will not be routed to displayed markets.

Order modifiers

- *Discretion offset*: An order with a discretion offset modifier is willing to buy (sell) at a higher (lower) price. Discretion offset is an explicit value added to buy orders and subtracted from sell orders. These explicit values are defined in terms of cents and are to be added/subtracted from the order's base limit price. Any order will only be executed at its discretion offset price if no contra liquidity is available at the order's explicit price (e.g., limit price or mid peg).
- *Relative discretion*: Within SIGMA X Canada, relative discretion prices (mid, primary or market) are acceptable. Thus, a subscriber's order could rest in the book at an explicit or relative price (e.g., limit or buy primary peg) and have discretion to another relative price (e.g., mid peg). Relative discretion will often be used in conjunction with a minimum discretion quantity modifier as a subscriber would be willing to pay up if a significant quantity existed within SIGMA X Canada.
- *Minimum execution quantity (MXQ)*: The lowest number of shares at which an order will execute within SIGMA X Canada. If a contra-side order meets a subscriber's limit price, but does not satisfy the subscriber's minimum execution quantity threshold, the orders will not match.
- *Minimum discretion quantity (MDQ)*: The minimum number of shares for which an order will utilize its discretion. If a contra-side order is within the price limits of a subscriber's discretion, but its quantity does not satisfy the subscriber's minimum discretion quantity, the subscriber's order will not pay up (or sell down) to facilitate an execution. MDQ can only be used in conjunction with a SIGMA X Canada order that has a defined discretion value.

Minimum Price Increment

SIGMA X Canada will allow the entry of orders in the minimum tick increment allowed by UMIR.

Clearing and Settlement

Trades that are executed on SIGMA X Canada will be cleared and settled by the Subscriber or its clearing broker through CDS. Subscribers of SIGMA X Canada will receive electronic notification of executions promptly after execution.

All trades done on SIGMA X Canada will settle on T+3.

Policies and Procedures Regarding SIGMA X Canada

Employees of GSCI and its affiliates are subject to policies and procedures that address, among other things, the confidentiality of SIGMA X Canada trading data and restrictions on the use of such data, as well as procedures relating to personal account trading for employees engaged in trading and sales activities. Employees of GSCI and its affiliates who are involved in the operations of SIGMA X Canada are strictly prohibited from misusing nonpublic information about SIGMA X Canada subscriber's orders and transactions, and from discussing the details of any trades executed in SIGMA X Canada with persons who do not have a "need to know" that information for the purposes of operating SIGMA X Canada. Although certain employees of GSCI and its affiliates that are involved in both SIGMA X Canada and the dealer operations of GSCI and its affiliates will have the ability to see order information for the purposes of operating SIGMA X Canada, none of these employees will be trading or sales representatives of the firms whose duties permit them to have discretion over trading in any account or to provide investment advice to customers on trading activities.