



CIBC World Markets Inc.  
Brookfield Place  
161 Bay Street, 5<sup>th</sup> Floor  
Toronto, ON  
M5J 2S8

January 26, 2011

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-

Randee Pavalow  
Head of Operations and Legal  
Alpha ATS LP  
70 York Street, suite 1501  
Toronto, ON M5J 1S9  
Email: randee.pavalow@alphatradingsystems.ca

**RE: ALPHA ATS LP NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK  
INTRASPREAD FACILITY**

CIBC World Markets Inc. ("CIBC WM") appreciates the opportunity to comment on the revised proposal for the IntraSpread facility of Alpha ATS LP.

We believe that the IntraSpread facility, and related order types, described in the Alpha notice, are aligned with the dark pool principles detailed in CIBC's previous submissions on dark liquidity in Canada. However, we are concerned about the potential for exclusionary trading practices.

As highlighted in our previous commentary on suggested regulatory guidance, CIBC WM believes compliance with **Fair Access** rules to be of the utmost importance for maintaining integrity in the Canadian marketplace. Regulations should be focused on ensuring broad accessibility to any trading venue and to the liquidity that resides in them. Counterparty selection or "selective preferencing" as a result of rules imposed by a trading facility is an unacceptable model.

CIBC WM has serious concerns around access requirements as proposed in the revised IntraSpread model. Specifically, we are concerned that IntraSpread will unfairly restrict access to liquidity in the facility to a select group of participants, permitting a structure whereby flow is exposed to a select, pre-determined group of dealers.

**Alpha's Revised Proposal**

A significant departure from the previous proposal, and most concerning to CIBC WM, is the introduction of eligibility criteria for SDL ("Seek Dark Liquidity") Orders in Alpha's revised IntraSpread facility. These are the actively routed orders expected to trade against the passive orders within IntraSpread.

## Eligibility

- *IntraSpread facility is available to all Subscribers and for all symbols traded on Alpha ATS.*
- *SDL™ orders can be entered only on behalf of Retail Customers*
  - *The definition of Retail Customer is based on the definition set out in the IIROC Dealer Member rules.*
  - *It is expected that Subscribers have policies and procedures in place in regards to identifying which accounts qualify and supervisory procedures to monitor ongoing compliance.*
  - *If Alpha deems that a Subscriber is allowing SDL™ orders from non-retail clients, Alpha may take appropriate action against the firm regarding access to the Alpha IntraSpread™ Facility.*

Allowing only retail flow for SDL orders introduces an inappropriate barrier to participation. Furthermore, it allows participants entering passive IntraSpread orders to select and control their trading partners, providing liquidity to only a subset of market flow. The introduction of selective access to order flow is a practice we do not support. Limiting the SDL orders to only retail customers in effect permits dealers to control who they choose to trade with. In addition to CIBC WM concerns around the introduction of exclusionary trading practices, we note that restricting liquidity-taking flow in the facility creates a potential moral hazard for participating dealers, allowing for the isolation of retail flow.

Fair Access, as set out in National Instrument 21-101 Marketplace Operation, Section 6.13:

### **6.13 Access Requirements – An ATS shall**

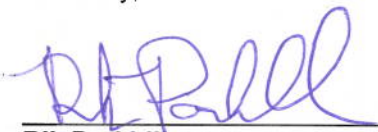
- (a) Establish written standards for granting access to trading on it;*
- (b) Not unreasonably prohibit, condition or limit access by a person or company to services offered by it; and*
- (c) Keep records of*
  - i. Each grant of access, including, for each subscriber, the reasons for granting access to an applicant, and*
  - ii. Each denial or limitation of access, including the reasons for denying or limiting access to an applicant.*

CIBC WM would strongly oppose any features at IntraSpread or any other dark venue that would permit dealers to select their counterparties. Instead, we encourage the evolution of IntraSpread towards a community matching model that maximizes the probability of finding price improvement, or size, for all participants.

Put simply, the unintended consequences of turning back the clock on fair access creates the distinct probability that Alpha IntraSpread will be ripe for abuse.

Thank you for the opportunity to provide our comments on the revised IntraSpread proposal. Please feel free to contact us with any questions or requests for clarification.

Sincerely,



**Rik Parkhill**  
Head of Cash Equities  
CIBC World Markets Inc.