

13.2.4 TriAct Canada Marketplace LP – Changes to the MATCHNow Trading System – Notice of Proposed Changes and Request for Comment

TRIACT CANADA MARKETPLACE LP

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

CHANGES TO THE MATCHNOW TRADING SYSTEM

TriAct Canada Marketplace LP (**TriAct** also known as **MATCHNow**) has announced plans to implement the changes described below 90 days following approval by the Ontario Securities Commission (the **OSC**). MATCHNow is publishing this Notice of Proposed Changes 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 the OSC with comments on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **July 31, 2017** to:

Market Regulation Branch
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

And to:

Kuno Tucker
Chief Compliance Officer
TriAct Canada Marketplace LP
The Exchange Tower
130 King Street West, Suite 1050
Toronto, Ontario M5X 1B1
Fax: (416) 874-0690
e-mail: kuno.tucker@matchnow.ca

Feedback 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 OSC staff's review and to specify the intended implementation date of the changes.

If you have any questions concerning the information below, please contact Kuno Tucker, Chief Compliance Officer for MATCHNow, at (416) 874-0830.

1. Trade Message Fee Marker

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow intends to provide Subscribers with the benefit of having the option of a notification of their trading fee message attached to their executions. Currently, Subscribers only see their trading fees when they receive their daily trade diary (T+1) or on their monthly invoice. With this change, MATCHNow will send a new FIX Tag and tag value inside a Subscriber's partial fill or fill messages. The feature will initially only be available on drop copy FIX sessions. In a second phase, MATCHNow will provide an option on the order entry FIX session.

Using a FIX tag, Subscribers will be able to map the trading fees to a specified value to be determined, which will allow Subscribers to see their MATCHNow trading fees intraday. The value sent back in the new tag will reflect how a client will be billed for that particular trade.

Example: A value of 'E' might mean that the client was a passive supplier of MP liquidity in a small cap stock. The Subscriber can then reference our fee schedule, and at their will can map that trade to a dollar amount.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

This proposed change will permit Subscribers to monitor their trading costs on MATCHNow in real time. This feature has been requested by multiple Subscribers.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. 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 a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

Not applicable. This is a unique feature for Canadian equity marketplaces.

2. Echo Back Tag

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow proposes to offer an optional Echo Back tag for those Subscribers that find it useful to track their order messages. With this change, MATCHNow would allow Subscribers to send any value inside a dedicated Alpha-Numeric FIX tag. This value would then be "echoed back" on all following FIX reports. This will enable Subscribers to improve their internal tracking capabilities. Vendors and Subscribers will likely have to do some work to support this new FIX tag.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

Some Subscribers have requested this in order to duplicate the entire lifecycle of an order for internal purposes. This will allow Subscribers, if they elect to do so, to have a duplicate copy of all their messages, which they can use for internal purposes.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. 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 a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided

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G. *If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces*

This feature is not novel to Canadian marketplaces. The TSX currently offers this optional feature.

3. Multicast Market Data (MD)

A. *Detailed description of the proposed change to the MATCHNow trading system*

MATCHNow intends to move to the increasingly common standard of offering MD (market data) in a Multicast manner. MATCHNow wants to simplify our MD offering while simultaneously bringing it in line with the more common manner of Multicast MD delivery.

This proposed change would mean that MATCHNow will build a new market data environment that distributes our public trade data via a multicast network in the well-recognized and widely used [ITCH](#) format. ITCH is a registered service mark of the NASDAQ OMX Group, but unlike FIX Protocol, there is no industry body which publishes an ITCH standard. ITCH is commonly used by Canadian and other marketplaces.

Currently, MATCHNow offers three ways of getting public market data: (1) via TMX Datalinx's Real Time Market Data (RTMD) feed; (2) directly from MATCHNow via a FIX feed; and (3) via TMXIP's CDF and CLS feeds. Once this proposed change is implemented, the TMX RTMD offering will be discontinued, as will the MATCHNow FIX feed. The TMXIP offering, however, will stay in place.

B. *Expected implementation date*

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. *Rationale for the proposed change and any supporting analysis*

Using Multicast MD should improve MD performance for all Subscribers.

D. *The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets*

This change should not have any impact on market structure or Subscribers.

E. *Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets*

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. *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 a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided*

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G. *If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces*

Several marketplaces already offer Multicast MD and use ITCH.

4. Cancel residual portions with minimum quantity

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow proposes to give Subscribers the option to override the current behaviour and force any residual quantities that fall below the MINQTY size, to be rejected back. This feature will be available at the traderID level and can be turned on by default upon request.

Example:

An order to buy 900 shares of stock ABC with a MinFill of 300 shares has 700 shares executed, leaving 200 shares residual unfilled; the MinFill now becomes the residual amount of 200 shares.

Currently, the way MATCHNow handles orders that have residual quantities that fall below the original MINQTY value, is to resize the MINQTY to be that same size as the residual.

Example:

Order to buy 900 shares of stock ABC with a MinFill of 300 gets 700 shares completed 200 shares will be rejected back to the client.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

This will allow Subscribers, if they elect to do so, to cancel residual portions of less than their minimum quantity.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. 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 a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This proposed change is novel to marketplaces.

5. Provide currency on drop copy

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow currently offers a drop copy that is a separate private FIX session to the Order Entry session. This drop copy carries copies of reports (fills, cancels, corrections) that were originally sent down the order entry session. Subscribers use these sessions to plug relevant messages into post-trade systems or monitoring systems. MATCHNow proposes to add a tag which includes the currency, so that Subscribers will have this information when MATCHNow sends fills into a system where currency is mandatory, for example in a ticketing system.

Subscribers and vendors will have to accept Tag 15 on any existing drop copy feed, but 15 is a standard FIX tag.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

The proposed change will aid Subscribers when they ticket to have the proper currency.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

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G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This feature is not novel; it is provided by the TSX.

6. Use of MinFill by the Odd Lot destination

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow intends to continue to use the existing MinFill order type, but will now include it in the existing Odd Lot trade book destination. This is a logical extension of the existing MinFill feature, now allowing for the Odd Lot portion of orders to respect a Subscriber's request to fill an order only where it meets a minimum requirement.

MATCHNow will make a change to allow for the Odd Lot destination to recognize any MinFill size placed on the incoming order, whether it is part of a mixed-lot order or a stand-alone Odd Lot.

Example 1:

MainBook Liquidity = 100 shares
Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 shares of ABC @ MKT with MINQTY = 200 shares.

Action: NO TRADE

Why: No liquidity is available in the main book or the Odd Lot book without breaching the MinFill size.

Example 2:

MainBook Liquidity = 200 shares
Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 ABC @ MKT with MINQTY = 200 shares.

Action: TRADE 250 shares

Why: Enough liquidity is available in the main book to satisfy MinQty; with MinQty satisfied, the Odd Lot portion is free to trade without restriction.

Currently, the Odd Lot destination does not recognize the MinFill feature. Any MinFill value is ignored when interacting with Odd Lot liquidity, regardless of whether the order was part of a mixed-lot or a stand-alone Odd Lot.

Example:

MainBook Liquidity = 100 shares

Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 shares of ABC @ Market ("MKT") with a Minimum Quantity ("MINQTY") = 200 shares

Action: TRADE 50 shares:

Why: No liquidity is available in the main book because it is honouring the MinFill, but it will trade with Odd Lot liquidity that does NOT honour MinFill.

This proposed change will give all Subscribers better fill ratios, without requiring any changes on the Subscriber's end.

B. *Expected implementation date*

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. *Rationale for the proposed change and any supporting analysis*

As noted above, this proposed change will give all Subscribers better fill ratios, without requiring any changes on the Subscriber's end.

D. *The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets*

This change should not have any impact on market structure or Subscribers.

E. *Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets*

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. *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 a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided*

This proposed change is not expected to require any changes by Subscribers or vendors to their systems.

G. *If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces*

This feature is not novel; it is provided by the TSX.