

# Canadian Securities Exchange

## Significant Change Subject to Public Comment

### Amendments to Trading System Functionality & Features

#### Notice and Request for Comment

CNSX Markets Inc., (“CSE”) is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange’s recognition orders (the “Protocol”). The CSE intends to implement enhancements to its trading system in response to customer feedback. The proposed changes are described below.

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#### A. Description of the Proposed Changes

##### *Immediate-or-cancel (IOC) instruction for peg order types*

The addition of IOC pricing instructions is available to all peg order types.

- The addition of the IOC option allows peg orders to support IOC time in force.
- If an IOC peg order is sent to the CSE, any volume that is not filled upon receipt will be cancelled.

##### *Examples*

##### 1. No fill IOC peg

The market is at 9.00/9.01. A bid @9.01 with a midpoint peg, and pricing instruction IOC, is sent to the market.

Best Bid/Offer:	9.00/9.01			
Comment	Vol	Price	Price	Vol
CSE – Peg (midpoint) IOC	300	9.01	9.01	100
	100	9.00	9.02	100
	100	8.99	9.03	100

There is no hidden liquidity resting at the midpoint or better and the order is cancelled upon receipt.

Best Bid/Offer:	9.00/9.01		
Vol	Price	Price	Vol
100	9.00	9.01	100
100	8.99	9.02	100
		9.03	100

## 2. Partial fill IOC peg

The market is at 9.00/9.01. There is a CSE midpoint peg resting on the offer for 100 volume which is set to execute against any aggressive incoming bids.

Best Bid/Offer:	9.00/9.01				
Comment	Vol	Price	Price	Vol	Comment
	100	9.00	9.00	100	Resting CSE – Peg(midpoint)
	100	8.99	9.01	100	
			9.02	100	

A bid @9.01 for 300 volume, with a midpoint peg, and pricing instruction IOC, is sent to the market.

Best Bid/Offer:	9.00/9.01				
Comment	Vol	Price	Price	Vol	Comment
CSE – Peg (midpoint) IOC	300	9.01	9.00	100	Resting CSE – Peg(midpoint)
	100	9.00	9.01	100	
	100	8.99	9.02	100	

100 shares will execute at 9.005 (the midpoint price), with the outstanding unfilled volume (200 shares) on the midpoint IOC bid being cancelled as this portion of volume did not receive an immediate fill.

After these order interactions there is no hidden liquidity resting at the midpoint or better.

Best Bid/Offer:	9.00/9.01		
Vol	Price	Price	Vol
100	9.00	9.01	100
100	8.99	9.02	100

## **B. Expected Implementation Date**

The proposed Significant Change is expected to be implemented in Q2, 2021.

## **C. Rationale for the Proposal**

This feature will allow clients to use the currently available dark order types (pegs) to send an IOC ping to the CSE, targeting hidden liquidity within the National Best Bid or Offer, and having the order cancel should it not receive an immediate fill.

This would enhance our dark peg offering to include features that already exist on other marketplaces in Canada.

## **D. Expected Impact**

There is no expected impact on market structure as this feature is already present on other marketplaces in Canada. This pricing instruction is optional and will have minimal impact on market participants.

## **E. Compliance with Ontario and British Columbia Securities Law**

There is no expected impact on the CSE's compliance with Ontario or British Columbia securities laws. The changes will not affect fair access or the maintenance of fair and orderly markets. The changes are consistent with the fair access requirements set out in section 5.1 of NI21-101 as they are not confined to a limited number of marketplace participants and all marketplace participants will remain subject to the same rules and conditions.

## **F. Technology Changes**

Clients already support similar features (to the ones proposed) on other Canadian marketplaces. The CSE does not anticipate there will be any need for material technology changes.

## **G. Other Markets or Jurisdictions**

The table below identifies where the proposed functionality is new or currently available.

ORDER TYPE	MARKETS AVAILABLE
IOC on Dark pegs	TSX

## Comments

Please submit comments on the proposed amendments no later than January 25, 2020 to:

### Mark Faulkner

Vice President, Listings and Regulation  
 CNSX Markets Inc.  
 220 Bay Street, 9th Floor  
 Toronto, ON, M5J 2W4  
 Fax: 416.572.4160  
 Email: [Mark.Faulkner@theitse.com](mailto:Mark.Faulkner@theitse.com)

### Market Regulation Branch

Ontario Securities Commission  
 20 Queen Street West, 20th Floor  
 Toronto, ON, M5H 3S8  
 Fax: 416.595.8940  
 Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

### Vida Mehin

Senior Legal Counsel, Capital Markets Regulation  
 British Columbia Securities Commission  
 701 West Georgia Street  
 P.O. Box 10142, Pacific Centre  
 Vancouver, BC, V7Y 1L2  
 Email: [vmehin@bcsc.bc.ca](mailto:vmehin@bcsc.bc.ca)