

CSA Staff Notice 23-333

Order Protection Rule: Market Share Threshold

Effective as of April 1, 2024

February 29, 2024

Introduction

On June 20, 2016, the Canadian Securities Administrators (the **CSA** or **we**) published a notice¹ (the **2016 Notice**) regarding the implementation of the market share threshold. This notice updates the list of protected and unprotected marketplaces published on February 23, 2023. The updated list will be in effect as of April 1, 2024, until a future notice is published. We note that the only changes relative to the last notice published are the addition of two new Alpha Exchange Inc. (**ALF**) order books, specifically Alpha X (**ALFX**) and Alpha DRK (**ALFD**). There are no other notable changes.

The text of this notice is available on the websites of the CSA jurisdictions, including:

www.lautorite.qc.ca
www.asc.ca
www.bcsc.bc.ca
www.fcnb.ca
nssc.novascotia.ca
www.osc.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca

Purpose

The purpose of this notice is to provide the list of marketplaces that display protected orders (**protected marketplaces**) and marketplaces whose orders will not be protected (**unprotected marketplaces**) for the purposes of National Instrument 23-101 *Trading Rules* (**NI 23-101**) and the order protection rule (**OPR**) because they do not:

- (i) provide automated trading functionality as they have an intentional order processing delay, or
- (ii) meet the market share threshold.

The market share threshold has been set at 2.5%.²

¹ CSA Staff Notice 23-316 Order Protection Rule: Implementation of the Market Share Threshold and Amendments to Companion Policy 23-101 *Trading Rules*.

² The 2016 Notice includes a description of the calculation of the market share threshold.

OPR Requirements

Section 6.1 of NI 23-101 requires marketplaces to establish, maintain and ensure compliance with policies and procedures that are reasonably designed to prevent trade-throughs of better priced protected bids and offers. Section 6.4 of NI 23-101 imposes the same requirement on marketplace participants that assume responsibility for compliance with OPR by entering directed-action orders.

Section 1.1 of NI 23-101 defines protected bids and offers as bids and offers displayed on a marketplace offering automated trading functionality, and about which information is provided to an information processor.

Section 1.1.2.1 of Companion Policy 23-101 *Trading Rules* outlines the circumstances in which a marketplace that introduced an intentional order processing delay would not be considered to be providing automated trading functionality. In those circumstances, the orders on that marketplace would not be protected.

Orders on “dark” marketplaces are not protected as they are not displayed. Therefore, orders on ICX, LiquidNet, MATCHNow, NEO Exchange dark book (NEO-D), Nasdaq CXD and Alpha DRK are unprotected for the purposes of OPR.

List of Protected and Unprotected Marketplaces

Below is a summary of protected and unprotected marketplaces as of April 1, 2024.

The orders displayed on the marketplaces listed below in Table 1 will be protected because either the marketplace meets the market share threshold and/or the orders are for securities that are listed by and traded on that marketplace:

Table 1 – Marketplaces that Display Protected Orders

Marketplace	Market Share	Status	Reason Protected
CSE	5.20%	Protected	Meets market share threshold
Nasdaq CXC	11.11%	Protected	Meets market share threshold
Nasdaq CX2	5.06%	Protected	Meets market share threshold
NEO-L	7.33%	Protected	Meets market share threshold
Omega	6.44%	Protected	Meets market share threshold
TSX	44.04%	Protected	Meets market share threshold
TSX Venture	8.23%	Protected	Meets market share threshold

Orders displayed on the marketplaces listed below in Table 2 will be unprotected because either the marketplace does not provide automated trading functionality, does not meet the market share threshold or does not display orders:

Table 2 – Marketplaces whose Orders Are Unprotected

Marketplace	Market Share	Status	Reason Unprotected
Alpha	7.30%	Unprotected	Does not provide automated trading functionality
Alpha-X	0.00%	Unprotected	Does not provide automated trading functionality
Lynx	0.36%	Unprotected	Does not meet the market share threshold

Marketplace	Market Share	Status	Reason Unprotected
CSE2	0.25%	Unprotected	Does not meet the market share threshold
NEO-N	4.66%	Unprotected	Does not provide automated trading functionality
Alpha DRK		Unprotected	Does not display orders
ICX		Unprotected	Does not display orders
LiquidNet		Unprotected	Does not display orders
Cboe MATCHNow		Unprotected	Does not display orders
Nasdaq CXD		Unprotected	Does not display orders
NEO-D		Unprotected	Does not display orders

PUBLIC NOTIFICATION

Please note that a notice providing a list of protected and unprotected marketplaces is not necessarily published annually but rather only when there are changes to the list of protected and/or unprotected marketplaces.

QUESTIONS

Please refer your questions to any of the following:

Alina Bazavan Market Specialist, Market Regulation Ontario Securities Commission abazavan@osc.gov.on.ca	Alex Petro Senior Adviser, Market Regulation Ontario Securities Commission apetro@osc.gov.on.ca
Roland Geiling Derivatives Product Analyst Oversight of Trading Activities Autorité des marchés financiers Roland.Geiling@lautorite.qc.ca	Serge Boisvert Senior Policy Analyst Oversight of Trading Activities Autorité des marchés financiers serge.boisvert@lautorite.qc.ca
Michael Grecoff Securities Market Specialist, Legal Services British Columbia Securities Commission mgrecoff@bcsc.bc.ca	Jesse Ahlan Regulatory Analyst, Market Structure Alberta Securities Commission jesse.ahlan@asc.ca