13.2.2   Lynx ATS – Notice of Commission Approval – Lynx ATS Fee Model Change

<div align="center">

LYNX ATS

NOTICE OF COMMISSION APPROVAL OF LYNX ATS FEE MODEL CHANGE

</div>

On December 12, 2013 Lynx ATS (Lynx) announced its plans to move to a dynamic fee model. The description of this fee model change was published for comment in accordance with OSC Staff Notice 21-706 – *Marketplaces' Initial Operations and Material Systems Changes*, and pursuant to an order requiring Lynx to comply with the *Process for the Review and Approval of the Information Contained in Form 21-101F2 and the Exhibits Thereto* (ATS Protocol). Four comment letters were received. A summary of and response to those comments has been prepared by Lynx and is included at Appendix A to this notice.

The OSC has approved the fee model change pursuant to section 8 of the ATS Protocol applicable to Lynx. Lynx will publish a notice indicating the intended implementation date of the new fee model, which will be no earlier than the later of: (i) 120 days from the publication of this notice and (ii) the launch date of Lynx's price sensitive router that will allow any subscriber to route solely on a cost basis. Lynx has submitted that there are a number of options available to its subscribers in responding to this fee model change including: (i) setting Lynx at the lowest position of a routing table; (ii) using Lynx's price sensitive router; and (iii) developing and using a private smart order router that routes on a cost basis.

Appendix A

Issue	Commenter and comment	OSI Response
Average Daily Volume is Calculated too early/ADV is not calculated often enough.	**True North Vantage:** Average daily volumes across all Canadian marketplaces will be calculated by Lynx ATS on the 15th day of each calendar month. We feel that the ADV should be calculated no more than 3 trading days before the end of the month. We can appreciate that less sophisticated participants will require a longer lead time, but we feel that it takes away from the relevancy of the liquidity tiers. **Cannacord Ganuity:** ADV should include intentional crosses but we feel should be calculated more frequently to reflect deal stocks and sudden and sudden increases in volume for takeovers.	Omega Securities Inc (OSI) recognizes the Average Daily Volume being calculated two weeks before implementation could result in "stale" data. While a firm such as True North Vantage would have no problem changing their routing with three days notice, we believe that two weeks' notice would be enough for all participants to make routing plans for the coming month. Moreover we have found that other than certain anomalies, stocks that achieve an average high daily trading volume over one month will tend to continue to do so.
Lynx Dynamic Pricing should exclude/include intentional crosses.	**True North Vantage:** Inclusion of intentional cross prints in the calculation of ADV? We believe that the ADV calculation should include only exchange/ats trading and not intentional cross prints. The fee being set should be based on actual tradable liquidity. **Canaccord Genuity :** ADV should include intentional crosses.	We understand the logic of the proposal, and an argument can be made that volume that cannot be interacted with should be excluded from the ADV calculation. It is OSI's intention to make the calculation of the ADV as simple and Transparent as possible, allowing any participant to acquire the data and confirm the ADVs and by extension confirm the fee levels provided to them by Lynx ATS.
Lynx Dynamic Pricing lacks sub-dollar tiers.	**True North Vantage:** We feel the strategy by OSI is incomplete without sub-dollar tiers. Those tiers should take into consider the tick sizes of the names. **Canaccord Genuity**: We would feel that sub dollar stocks should be included as well.	While not being averse to the idea of multiple sub-dollar price levels, it is OSI's intent to have every issue have only two possible fee levels. One super-dollar set by the ADV in the previous month, and one possible sub-dollar. It is our intention to review sub-dollar pricing sometime in the future.
Lynx Dynamic Pricing creates unparalleled complexity.	**Certain members of the Trading Issues Committee of the CSTA*:** We believe that varying the fee structure on an individual security basis creates unparalleled complexity to what currently exists. The costs to build and implement the new functionality for both smart order routers and accounting departments (for corporate internal controls and fee reconciliation) will be significant for most of our members, and in particular the smallest members. While it is possible that the benefits of Omega's approach could eventually outweigh the costs (since dealers would potentially save on take fees with the new structure), these benefits are theoretical – they assume significant market share at Lynx ATS.	Most trading active participants that set SOR preferences to take advantage of cost savings will preference one or more of the 'inverted' marketplaces in the top position(s) on their router table. Those trading participants that do not believe that additional savings can be achieved on Lynx without a great deal of development work are free to position Lynx at the absolute bottom of the router table and review this decision as Lynx and Lynx Dynamic pricing evolve (an activity we are more than willing to help with, with the review and modeling of your previous months trading). Lynx will provide monthly a CSV file that divides all securities to four possible commission levels. there should be no fear of each listing being "different". Other markets divide by listing type and price, this information is already being supported and entered already into data base tables.

Issue	Commenter and comment	OSI Response
	Cannacord Genuity: While we feel this is a step in the right direction it will probably not relate to significant savings. **W.D. Latimer Co, Ltd :** We feel that, although the Lynx Dynamic Pricing Model Proposed by OSI is seemingly complex, it addresses many of the issues associated with the classic maker/taker pricing schedules offered by other venues in Canada. *** "It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee." - CSTA Lynx Comment 01 17 2014**	That being said, OSI feels that there is tremendous value in the adaptation of a new model that does not overcompensate liquidity provision. Once the development stage has been embraced by the majority of the trading community, many of our competitors will be able to easily implement similar strategies and compete directly with Lynx ATS, and improve the maker /taker model.
OSI does not have the volume to offer measurable savings.	**Certain members of the Trading Issues Committee of the CSTA*:** Based on the current maker/taker pricing structure in Canada and the parent organization's market penetration to date, we fail to see how the concept of eventual significant benefits could be demonstrated probabilistically. *** "It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee." - CSTA Lynx Comment 01 17 2014**	Omega ATS and its market share has no bearing on the value of the proposed Lynx ATS pricing model. However, Omega's innovations have lead to additional pricing competition in the inverted model space. As a result, many trading participants have enjoyed greatly reduced active trading fees and better overall blended rates by preferencing one or more of the three inverted destinations before the classic maker/taker venues. These savings were not possible prior to Omega's pricing innovations and subsequent competitive pressures. Omega Securities Inc, expects that other marketplaces will follow our lead and help correct the problems in maker/taker.
Comparison of Lynx ATS to already existing fee structure.	**Certain members of the Trading Issues Committee of the CSTA*:** Within the sections of the Proposal that address the estimated time for Subscribers/Vendors to implement the proposed changes and within the section that indicates whether the proposed changes currently exist in other markets, Omega tries to compare the complexity of having (1) a tiered pricing structure based on volume (i.e. a participant getting a discount on its fees if they execute a certain minimum amount of shares) to (2) a pricing structure where single securities all have different fee structures based on overall volume executed in the previous month. In addition, Omega states: "Although this pricing model is slightly	Present market routing structure already asks participants to break down securities into categories (ETF,TSX,TSV,Listed Deb, etc.). Moreover the dynamic price monitoring for above five dollars, above a dollar, bellow a dollar, are all entered in present day router logic. These tables are adjusted daily, modified with new issues and deletions. Lynx ATS will provide a CVS table that will divide all listed shares into four possible fee levels, each level set with a fee and a possible sub dollar level. Adding this extra table is not more difficult than adding a new price level by market or security type.

Issue	Commenter and comment	OSI Response
	more complex than what is currently offered by other Canadian marketplaces, the model does not interfere with current routing structures." In the case of (1), a participant cannot know with absolute certainty the number of shares that will be executed in a given month, thus the "discounts" afforded to those that trade a relatively large amount of volume are only known once a final end of month tally is received. A "volume discount" does not affect the routing schedule that must be considered by all other participants; the new proposed fee structure does. Omega also states: "Smaller less sophisticated participants have stated their intention of using the highest possible Super Dollar/Sub Dollar rate as a baseline for calculation and router arrangement. Treating discounts achieved on Super Dollar equities as rebates for the purpose of reconciliation." We believe it is reasonable to assume that make/take structures and rebate levels influence smart router choices, and thus the level of rebate and take fee will – broadly – influence the probability of a passive fill by influencing smart router activity. In that context, to imply that a participant can simply assume the "worst rate" is short sighted, since the differentials in the proposed tiers range from one end of the pricing structure spectrum to the other, thus implying completely different fee based queue positioning. These comments would suggest that all passive participants that wish to know their fee based queue position within the consolidated book are "sophisticated". Under the assumption that a significant portion of flow is routed based on make/take economics, we would argue that all participants should be able to understand their fee based queue position without having to incorporate security specific logic that isn't directly accessible. *** "It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee." - CSTA Lynx Comment 01 17 2014.**	Despite this Lynx can be approached in either an active or passive manor. An active participant who is either willing or able to preset or alter routing tables to the new pricing structure can and will do so. A passive participant will and should set the smart order router with Lynx at the lowest possible rebate and the highest possible fee for a super dollar securities. **All executions would be at fee level equal to or better than the expected rate, and a rate better than that already approved for Lynx.** It would be simple for any participant to soon ascertain through monthly analysis whether or not Lynx would improve their bottom line for super dollar shares.

Issue	Commenter and comment	OSI Response
Every fill should have the make/take fee attached in a private feed to make it easier for accounting departments	**Certain members of the Trading Issues Committee of the CSTA*:** Every fill should have the make/take fee attached in a private feed to make it easier for accounting departments to consume the data for reconciliation purposes. If tiered volume discounts were to eventually be applicable, the non-discounted tier price could be provided to give the direct ability to categorize the security in its appropriate "Average Daily Volume" price class. ***"It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee. " - CSTA Comment 01 17 2014**	It is Lynx ATS' intention to provide the make take fee on Fix TAG 12 and 13 "commission" and "commission type". Thus providing a per share rate on every execution. This will provide the necessary information to make the tracking and calculation of fees simple for accounting departments. Moreover after discussions with Iress and Fidessa said data would allow for the use of their terminal based live fee monitoring tools. the highest fee, lowest rebate are the non-discounted tier prices enabling anyone who has access to the monthly volume to calculate the adjusted price level.
Fee tag should added to the CSV and the Data Feed. This should be coordinated by all marketplaces.	**Certain members of the Trading Issues Committee of the CSTA*:** The data describing security-specific fee levels should be in both a CSV format as well as a tag on the data feed to allow for easier consumption by smart order routers. This would be a security-level descriptive element. Note: if this approach is adopted, we believe that the dissemination of marketplace fee structures via market data broadcast feeds merits regulatory attention for all marketplaces to ensure consistency and appropriate dissemination. **Certain members of the Trading Issues Committee of the CSTA*:** Omega should demonstrate that they have recruited the cooperation of major data vendors (Bloomberg, Thomson Reuters) to have a new "fee tag" disseminated to users to ensure that participants can easily understand their fee based queue position within the consolidated book. Similarly to above, non-discounted prices could be provided if ever tiered volume discounts became available under this new fee structure. ***" It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee." - CSTA Comment 01 17 2014**	It is Lynx ATS' intention to provide the monthly ADV fee levels with a CSV file. The Fix tag 12 and 13 commission feed will attached each execution providing all the necessary accounting data. OSI has already engaged major vendors including Thomson Reuters, Fidessa, IRESS, ITS, to discuss FIX tag 12 & 13. All vendors express support for this initiative. Following that we are studying a way to add the security-specific fee level to our daily "stock directory messages" in market data . We have avoided this model at first in order to avoid a mandatory market data change for our subscribers. The highest fee, lowest rebate are the non-discounted tier prices enabling anyone who has access to the monthly volume to calculate the adjusted price levels.

Issue	Commenter and comment	OSI Response
There is no use in having this system in isolation.	**Some members of the Trading Issues Committee of the CSTA*:** If every marketplace in Canada were to adhere to a classification system based on volume traded, then we could potentially assess a value in such a methodology. In isolation, the benefits of the proposal are limited. *** "It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee. " - CSTA Comment 01 17 2014**	It is unreasonable to ask a firm no matter how small to limit our business plan on the doubtful possibility that all other marketplaces adapt a similar pricing scheme. We have heard so many times from so many participants that maker taker is a problem, Lynx has chosen to lead, and hopefully by leading improve the overall market.
Lynx Dynamic Pricing would take more than 30 days to implement	**Certain members of the Trading Issues Committee of the CSTA*:** we cannot comment specifically on the amount of time to complete the necessary work to integrate the new proposed Fee Model as it would differ greatly from one participant to another. However, we do believe that most of our members would not view a 30 day implementation period as adequate lead time for the added complexity that this Fee Model brings to the current market structure. *** "It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the opinion of the CSTA as a whole. The opinions and statements provided below do not reflect the opinions of all CSTA members or the opinion of all members of the Trading Issues Committee." - CSTA Comment 01 17 2014**	Following discussion with vendors OSI has streamlined the modifications most people would need to make to adapt to Lynx Dynamic Pricing, despite that OSI is looking for a longer window and intends to not implement Dynamic Pricing before the early Q2 2014.
There are too many markets already.	**Canaccord Genuity:** We do not feel the need for additional markets in Canada at this time with the current volumes but appreciate the innovative approach Omega has taken with Lynx.	This comment is not relevant to the questions put forth by this call for comment, but since the Maple settlement market places have been forced to seek multiple venues in order to maintain competitiveness. We have always desired that Lynx would be innovative, and offer relief to equity market participants who feel that there is something wrong with the present maker/taker system. While we are not a large player it is our hope that for the benefit of all equity market participants that we can lead other markets to follow.