

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Notice of Approval – Alpha Exchange Inc. – Amendments to the Alpha Exchange Inc. Trading Policies to Reflect Migration to TSX Quantum

ALPHA EXCHANGE INC.

AMENDMENTS TO THE ALPHA EXCHANGE INC. TRADING POLICIES TO REFLECT MIGRATION TO TSX QUANTUM

NOTICE OF COMMISSION APPROVAL

On April 26, 2013, the Commission approved amendments to the Alpha Exchange Inc. Trading Policies to reflect changes proposed by Alpha Exchange Inc. (Alpha) in connection with the migration of Alpha to the TSX Quantum information technology platform.

A notice requesting feedback on the proposed amendments was published in the Commission's Bulletin on March 7, 2013 at (2013) 36 OSCB 2477. The Commission received one comment letter in response to the notice. A summary of the comments received and Alpha's response to the comments is published at Appendix A to this notice.

Alpha implemented the amendments on April 29, 2012.

Alpha Exchange Inc.

SUMMARY OF COMMENTS AND RESPONSES TO REVISED TRADING POLICIES – QUANTUM MIGRATION

Background

The Ontario Securities Commission (OSC) published on March 7, 2013, Alpha Exchange Inc. (Alpha)'s notice regarding its revised Trading Policies to reflect the migration to TSX Quantum.

Alpha Objectives

The objective of the changes to the Trading Policies was to provide participants a consistent offering across all markets and to deliver benefits in the form of efficiencies and cost savings over the mid to long term.

Comment Process

The OSC and Alpha received 1 comment letter: 1 from a dealer.

Alpha would like to thank the commenter for their submission. The summary that follows will summarize the key issues and Alpha's responses.

Summary of comments:

The commenter raised two concerns. The first being the elimination of the Opening Markets Condition Price Validation (OMC). The commenter stated that the OMC operates as a safeguard against orders executing at adverse price levels compared to the NBBO. Suggested alternatives were to either restore the OMC or discontinue the Alpha Opening Auction.

The second concern was the auto-execution of odd lot orders being revised to the Alpha Best Bid and Offer as opposed to the National Best Bid and Offer. The commenter stated that the change would disadvantage the quality of odd lot executions, primarily to retail customers.

Alpha Response:

With respect to the removal of the OMC Validation, Alpha reiterated that the Opening auction will be fully transparent which will allow all market participants to make informed decisions with regards to potential opening prices for that security. The Alpha opening auction is also monitored, with the COP being compared to reference prices to alert potential deviations from opening parameters. Messages will be broadcast to the trading community alerting traders to the COP and traders with potential erroneous orders will be called and advised as well on a best efforts basis.

Secondly, Alpha acknowledged that an odd lot order may not receive a favorable execution price at the ABBO vs. The NBBO. It is Alpha's view that participants should consider numerous factors, including execution price, and can take these factors into consideration when making routing decisions for odd lot orders.

Please contact Stacey Hoisak at stacey.hoisak@alpha-group.ca for any questions.