

13.2 Marketplaces

13.2.1 Instinet Canada Cross Limited – Notice of Proposed Change

INSTINET CANADA CROSS NOTICE OF PROPOSED CHANGE

Instinet Canada Cross Limited (“ICX”) has announced its plans to implement the change described below in the first quarter of 2016. We are publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703 Market participants are invited to provide the Commission with comment on the proposed changes.

Comment on the proposed changes should be in writing and submitted by October 30, 2015 to:

Market Regulations 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:

Leo Drori
Chief Compliance Officer
Instinet Canada Cross Limited
Suite 2200, TD Tower West
100 Wellington St. West
Toronto, Ontario M5K 1H1

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 Commission staff’s review and to outline the intended implementation date of the changes.

Continuous Block Crossing

A. Description of Proposed Changes

ICX is proposing to introduce a continuous matching order type in addition to the two existing order types it currently offers (BLX and VWAP crosses). ICX’s continuous matching offering (which will be known as CBX – Continuous Block Crossing) is a low latency continuous limit order book that will have the following features:

- Dark pool with no displayed orders
- Broker-time priority. There is no preferencing of orders by any other criteria
- All matches will occur at the mid-point of the National Best Bid Offer
- ICX supports all advance order types, including limit, minimum fill and time-in-force
- Only board lots will be traded
- Matches will only occur during the primary market hours of operations once the stock has been deemed open in the primary market
- No matches will occur if the NBBO is locked or crossed

Orders are sent into CBX. Market and limit orders designated IOC or FOK are, if not matched in the CBX, cancelled back to the subscriber. When at least one board lot can be matched, the CBX price is set by calculating the NBBO midpoint at the time of the match. Once the price is set, the match executes based on broker-time priority. Prints are sent to subscribers, the IP and IROC. CBX trades will set the national last sale price.

Order Fill Scenarios

NBBO for Symbol 'AAA' is bid at 10 and offered at 10.05

	Order Type	Order Entry			TIF conditions	Result
Scenario 1	Market	Broker A	11:15	Buy 5,000	None	Order rests in ICX
						Order cancelled at end of day
			-	Sell – No orders		
Scenario 2	Market	Broker A	11:15	Buy 5,000	FOK	Order cancelled back to Broker A
			-	Sell – No orders		
Scenario 3	Limit	Broker A	11:15	Buy 5,000 @ 10.04	None	5,000 filled at 10.025
	Market	Broker B	11:20	Sell 5,000	None	5,000 filled at 10.025
Scenario 4	Limit	Broker A	11:15	Buy 5,000 @ 10.04	None	5,000 filled at 10.025
		Broker B	11:20	Buy 5,000 @ 10.05		2,000 filled at 10.025
						3,000 cancelled back at end of day
	Market	Broker A	11:25	Sell 7,000	None	7,000 filled at 10.025

B. Expected Implementation Date

Subject to regulatory approval, ICX currently expects to launch CBX in the first quarter of 2016.

C. Rationale for proposed Change:

The rationale for the proposed change is to offer Canadian market participants additional opportunities to obtain price improvement and to trade anonymously.

D. Impact of the Change on Market Structure for Subscribers, Investors and capital markets:

Since continuous block crossing for dark orders is currently offered by several Canadian marketplaces, there is no likely impact on current market structure nor should any new regulatory issues be raised. Since ICX is not a protected market, participation in CBX is voluntary and no additional technological or regulatory burden is placed on any Subscribers, investors or the capital markets in general.

E. Consultations

ICX has consulted with several industry participants who support the introduction of CBX.

F. Expected impact of the Significant Change on ICX's compliance with Ontario securities law and the requirements of fair access and the maintenance of a fair and orderly market.

We foresee no negative impact to fair access.

ICX did not estimate the time needed to for subscribers or service vendors to modify their systems after implementation of the change because we do not believe material time would be needed, as continuous block crossing is currently offered by several Canadian marketplaces and ICX is not a protected market.

If you have any questions concerning the information below please contact Leo Drori CCO for Instinet Canada Cross Limited at 416-304-6368.