

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 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 after August 31 2012. It is publishing this Notice of Proposed Changes in accordance with OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*.

#### Description of Proposed Changes and Reasons for Changes

##### **BLX Pricing Process**

ICX is proposing reducing the BLX pricing window from ten (10) seconds to one (1) second after a match occurs. The reduction in the pricing window is designed to tighten the window and increase the possibility of matches during price movements where the Subscriber may have entered a limit price. Other key features such as mid-point match, volume thresholds and anti-gaming will remain unchanged.

To review the process:

1. Orders are sent in to BLX and are accumulated. When the minimum threshold for a match is reached the pricing window opens.
2. The BLX price is set by calculating the NBBO midpoint at a random time during a 1-second pricing window (formerly 10 second window). The match executes, with orders filled pro-rata.
3. Prints on ICX are sent to Subscribers, the IP and IIROC.

#### Impact of the Change

The BLX pricing window time reduction will provide Subscribers with improved matches and hit ratios in the marketplace. Clients expressed the opinion that a tighter pricing window would be beneficial in that the calculated price would more in line with the mid-point NBBO price at the actual time of the match. The benefit to subscribers is greater certainty, understanding and acceptance of the model, as it reflects normal trading behavior. At the same time, BLX is still a non-continuous cross that provides price improvement, can't be pinged and with the 1 second window and size thresholds is more difficult to game or determine footprint.

#### Consultations

ICX has consulted with industry participants who supported the proposed change.

#### Existence of Proposed Change in the Market

No other marketplace in Canada features a pricing window similar to ICX's BLX. However, BLX operates with a one second pricing window in other countries.

Any questions regarding these changes should be addressed to Ken Klepacki, Chief Compliance Officer, Instinet Canada Cross: ken.klepacki@instinet.com, T: 416 304-6365.