

Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 TriAct Canada Marketplace LP – Changes to the MATCHNow Trading System – Notice of Approval

TRIACT CANADA MARKETPLACE LP

NOTICE OF APPROVAL OF PROPOSED CHANGES TO THE MATCHNOW TRADING SYSTEM

On September 5, 2017, the Ontario Securities Commission (**OSC**) approved amendments proposed by TriAct Canada Marketplace LP (**TriAct** or **MATCHNow**) to Form 21-101F2. MATCHNow proposed the following changes to the MATCHNow trading system:

1. Echo Back Tag: offer an optional tag for subscribers to track their order messages by sending any value inside a dedicated alpha-numeric FIX tag, which value will then be “echoed back” on all following FIX reports.
2. Multicast Market Data: move to the increasingly common standard of offering market data in a Multicast manner by building a new market data environment that distributes public trade data via a multicast network in the well-recognized and widely used ITCH format. As part of this change, the TMX Datalinx’s Real Time Market Data feed will be discontinued, but the existing TMXIP’s CDF and CLS feeds will stay in place, alongside the new Multicast network.
3. Cancel residual portions with minimum quantity: give subscribers the option to override the current behaviour and force any residual quantities that fall below the MINQTY size to be rejected back.
4. Provide currency on drop copy: add a tag that includes currency so that subscribers have this information when MATCHNow sends fills into a system where currency is mandatory (for example in a ticketing system). Subscribers and vendors will have to accept Tag 15 (a standard FIX tag) on any existing drop copy feed.
5. Use of MinFill by the Odd Lot destination: allow the Odd Lot destination to recognize any MinFill size placed on the incoming order, whether it is part of a mixed-lot order or a stand-alone Odd Lot. This is a logical extension of the existing MinFill feature, now allowing for the Odd Lot portion of orders to respect a subscriber’s request to fill an order only where it meets a minimum requirement.

In accordance with the OSC’s *Process for the Review and Approval of the Information Contained in Form 21-101F2 and Exhibits Thereto*, a notice outlining and requesting feedback on these proposed changes was published on the OSC website and in the OSC Bulletin on June 29, 2017 at (2017), 40 OSCB 5694 (the **Notice of Proposed Changes**). No comments were received regarding any of the five proposed changes summarized above.

MATCHNow will publish a notice indicating the date of implementation of the five approved changes.

As part of the Notice of Proposed Changes, MATCHNow also proposed one additional change, namely, to offer a trade message fee marker (the **Proposed Fee Tracking Option**). This proposed change was intended to provide subscribers with the option of a notification of their trading fee message attached to their executions through the use of a new FIX Tag and tag value inside a subscriber’s partial fill or fill messages, allowing subscribers to map trading fees to a specified value and thus track their MATCHNow trading fees intraday. One comment letter was received regarding this proposed change and the summary of comments and MATCHNow’s responses is published in Appendix A to this notice.

For the reasons set out in its responses in Appendix A, MATCHNow is withdrawing the Proposed Fee Tracking Option at this time. Should MATCHNow wish to revisit this proposed change in the future, it would file a new proposal with the OSC at that time, subject to public comment.

APPENDIX A

TRIACT CANADA MARKETPLACE LP

SUMMARY OF COMMENTS AND RESPONSES

The following is a summary of comments received in response to the Notice of Proposed Changes and Request for Comment (the **Notice**) filed by TriAct Canada Marketplace LP (**TriAct** or **MATCHNow**) and published on June 29, 2017, along with MATCHNow’s responses to these comments.

At this time, and for the reasons set out in our responses below, MATCHNOW has withdrawn the proposed change to offer a trade message fee marker (the **Proposed Fee Tracking Option**).

Commenters

In response to the Notice, we received one comment letter, which was submitted by the Trading Issues Committee of the Canadian Securities Traders Association (the **CSTA**). All of the comments in that letter addressed the Proposed Fee Tracking Option.

Summary of Comments Received	MATCHNow’s Response
<p>The Proposed Fee Tracking Option should be denied because it would result in inappropriate information leakage. Under MATCHNow’s fee structure for non-ETF trades, unintentional crosses (which occur when an order from a particular firm is executed against a counterparty at the same firm, excluding jitney transactions) are free, while other such trades have a fee. Thus, if MATCHNow were to disseminate trade fee messages in real time, a participant receiving a fill from MATCHNow on a non-ETF trade would be able to infer additional information regarding its trade counterparty by combining fee information with the publicly disseminated broker code. Specifically:</p> <ul style="list-style-type: none"> • If the trade is assigned a fee, but the counterparty broker code is publicly disclosed as the same as the subscriber’s, then the counterparty would be inferred to be a jitney client of the counterparty’s firm; • If the trade is “free,” but the counterparty is anonymous, then the counterparty would be inferred to originate at the same firm as the subscriber. <p>In both cases, the subscriber would have an informational advantage compared with other market participants. This indirect disclosure of firm identity through the disclosure of trading fees is an inappropriate and unacceptable trade-off.</p>	<p>MATCHNow appreciates the CSTA’s consideration of this issue and its comments. MATCHNow Subscribers had requested this proposed feature, which has been available in the U.S. markets for some time, and our goal was to be responsive to our Subscribers’ needs. Unlike in the U.S., however, marketplaces in Canada use broker numbers and broker preferencing; as a result, there is the potential that real-time fee information could be used to infer the identity of the specific broker through which an ultimate counterparty has executed an anonymous trade in certain circumstances. We note that the identity of that counterparty would still be unknown to the Subscriber, and any inferences regarding the counterparty could never be drawn with 100% certainty. We further note that the proposed feature would have been made available to all MATCHNow Subscribers equally, in accordance with principles of “Fair Access.” Nevertheless, in an abundance of caution, and to allow us to further consider the issue, we have decided to withdraw the Proposed Fee Tracking Option at this time.</p>
<p>The Proposed Fee Tracking Option should be denied, whether the information is available on drop copy FIX sessions or via the order entry FIX session. End broker clients are already known to directly receive their own drop copy FIX sessions, and thus only disallowing the order entry FIX session would not be sufficient.</p>	<p>We have withdrawn the Proposed Fee Tracking Option, so the concern underlying this comment is now moot. We will keep this comment in mind for any future proposal regarding trade fee tracking.</p>
<p>Dissemination of trade fees in real time could be useful to facilitate standardized trade fee reporting. In an environment where heightened transparency and information disclosures are required to evaluate trade execution quality, trading fees are becoming a key output in broker-to-client reporting. Marketplaces should build features that decrease the burden of post-trade information reporting to clients and internal reporting, but not at the cost of creating information</p>	<p>We agree that dissemination of real-time trading fees is a desirable goal, and that it should not result in any informational advantage for any particular market participant. To that end, we reserve the right to propose future changes that enable our Subscribers to track their fees in a more effective and timely manner.</p>

<p>leakage. Only marketplaces with fee structures that would not lend themselves to creating information leakage should be allowed to disseminate trade fees in real time.</p>	
<p>If MATCHNow were to modify its fee structure to eliminate the potential information leakage, or make other changes unrelated to the current proposal, we believe that sending the actual cost would be more practical for subscribers. The current proposal requires the maintenance of a map of fee codes to fee rates and, therefore, would require subscribers to adjust internal systems whenever MATCHNow's fee schedule changes. This burden would be eliminated by disseminating trade costs in dollars (or as a rate per share). It is requested that that any future proposal to implement real-time trading fee dissemination be associated with a message containing the actual cost instead of a reference code to a fee structure, as this will prevent unnecessary street-wide development costs every time there is an update of a trade fee schedule.</p>	<p>We appreciate this comment and will keep it in mind for any future proposal concerning trade fee tracking.</p>