

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Omega ATS – Notice of Proposed Changes and Request for Comment

OMEGA ATS

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

Omega ATS has announced its plans to implement the changes described below in Q1 2013. Omega Securities Inc is publishing this Notice of Proposed Changes in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto". 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 22, 2012 to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax 416 595 8940
marketregulation@osc.gov.on.ca

And

Richard J Millar
Chief Compliance Officer
Omega Securities Inc.
100 Lombard St. Suite 101
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Comments 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.

Omega has announced plans to implement the changes described below Q1 2013 unless otherwise noted.

If you have any questions concerning the information below please contact Richard J Millar CCO for Omega ATS, at 416 646 2764.

Omega intends to introduce the following changes:

- **Additions of an Odd lot/Mixed lot trading book:** Omega intends to create a mixed lot/odd lot book that will create a new venue for the trading of odd and mixed lots.
- **Introduction of a new order type Opening Limit Bid/Offer (OLBO):** This order type is intended to encourage immediate post-open participation on Omega by placing orders to the top of book at the open.
- **Introduction of two new order types, Cross at Calculated Opening Price and Cross at Market On Close (X-COP, X-MOC):** The Cross at Calculated Opening Price (X-COP) and Cross at Market on Close (X-MOC) order types are intended to aid institutional participants in printing crosses at the calculated opening price, and close.

1/ Introduction of an Odd Lot Book:

A significant change subject to public comment

A. Description:

OSI (Omega Securities Inc.) intends to add an Odd Lot book. OSI believes the addition of this feature supports OSI's desire to have fully functional marketplaces that support all the core functions of a trading platform. At present there are only two venues to trade the odd lots of listed shares, OSI believes that a new venue would increase competitiveness, and improve market function.

Odd lots are quantities that do not conform to the board lots established by the prior days' closing price. A board lot is 100 shares for a security with a previous day closing price at or greater than \$1.00, 500 shares for a security with a previous day closing price at or greater than \$0.10 but less than \$1.00, and 1000 shares for a security with a previous day closing price less than \$0.10. Currently, when Omega receives an odd lot, the order is rejected back to the sender indicating that the order is not a multiple of a board lot. Omega is adding the functionality to support odd lots and mixed lot orders.

When Omega receives an odd lot order it is checked against the odd lot book for executions at the submitted price or better. If a partial execution or no shares are available, the remainder of the order is posted to the odd lot book and does not interact with the board lot book. This ensures that board lots do not partially fill against odd lot orders. Odd lot quotes and executions which can trade outside the Canadian Best Bid and Offer (CBBO) are not included in the Level 1 market data feed, and will be specially marked as an odd lot execution. Odd lot quotes are included in the Level 2 feed and can be easily identified by the share size. Odd lot quotes and executions should be ignored for the purposes of setting the CBBO.

A mixed lot is a combination of a board lot and an odd lot. When Omega receives a mixed lot, the order will be split and the board lot portion will be executed against, or posted on the board lot book, and the odd lot against the odd lot book. Any changes to the order, such as OPR re-price or cancel and replace would affect both the board lot and odd lot portions of the order.

B. Expected Implementation Date:

Our Subscriber agreement requires 90 day notice be provided to our subscribers when making a significant mandatory change, added to the time required for both regulatory review and public comment we expect the Odd Lot/Mixed lot book to be operating before March 31st 2013.

C. The Rationale for proposed Change:

Omega ATS believes the addition of this feature supports Omega's desire to have a fully functional marketplace that supports the core features of a trading venue. We believe that having an odd lot/mixed lot book is a core feature for a marketplace.

D. The expected Impact of the proposed Significant Change on Market structure for Subscribers, Investors and capital markets:

Omega believes the impact of the proposed change to be minor for subscribers, investors, vendors and the capital markets. Subscribers and vendors will need to amend their systems to facilitate the odd lot/mixed lot book on the Omega platform, but this should be minor in nature as this functionality already exists. Moreover subscribers will no longer have Odd Lot/Mixed Lot orders rejected by Omega.

E. Expected impact of the Significant Change on Omega Securities 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.

2/ New order type Opening Limit Bid/Offer (OLBO):

A significant change subject to public comment

A. Description:

This order type is intended to encourage immediate post-open participation on Omega by placing the orders to the top of book at the open.

Opening Limit Bid/Offer (OLBO) orders can only be submitted prior to the TMX market open between 8:30-9:29 am. When the order is accepted by Omega, the order will be held in an inactive state during the pre-market phase, between

Omega’s open at 8:30 am until the TMX Calculated Opening Price (COP) dissemination at approximately 9:30 am. The OLBO will not interact with any liquidity during this time. When the TMX COP is disseminated, all OLBO orders will become active, taking on an aggressive or passive nature dependent on the COP price relative to the CBBO at the open. Passive orders will automatically be posted at the best bid or offer and aggressive orders can be flagged to route or be re-priced by the Omega’s Order Protection Rule Functionality (OPRF marker).

Ex 1. Price/Time Priority

Prior to the official (Calculated Opening Price) COP, in the Omega continuous pre-market session a participant enters a limit bid to Omega book for 1000 shares at \$10.00 at 9:00 am. This order is live and rests passively on the Omega book.

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|-------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| OMG | 001 | 1000 | \$ 10.00 | | | | |

An OLBO Limit Bid order is also entered for 1000 shares pre-open. However, this order was entered at 8:45 am. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.00 and TMX prints all of its opening auction participants at the COP.

Pre-Open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 1000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |
| OMG | 001 | 1000 | \$ 10.00 | | | | |
| OMG | 001 | 1000 | \$ 10.00 | | | | |

OMG = Limit bid (entered at 9:00 am)

OMG = OLBO Bid (entered at 8:45 am)

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO Bid becomes a live order and rests passively displayed in the Omega book. However, as there was a lit, live limit order entered and displayed in the Omega book prior to the open the OLBO order does not have time priority and must be placed behind the original order in the queue.

Ex 2. Passive Bid Logic

An OLBO Limit Bid order is entered for 1000 shares pre-open. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.00 and TMX prints all of its opening auction orders at the COP.

Passive Order Market Post Open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 5000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |
| OMG | 001 | 1000 | \$ 10.00 | | | | |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO Bid becomes a live order and rests passively displayed in the Omega book.

Ex 3. Active Bid Logic

An OLBO Limit Bid order is entered for 1000 shares pre-open. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.01 and TMX prints all of its opening auction orders at the COP.

Active BID Order Post Open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 5000 | \$ 10.00 | \$ 10.01 | 4000 | 001 | TMX |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO Bid becomes a live order and is routed via the Omega Smart Order Router to the TMX.

Ex 4. Passive Offer Logic

An OLBO Limit Offer order is entered for 1000 shares pre-open. The order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.01 and TMX prints all of its opening auction orders at the COP.

Passive Offer Post Open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 5000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |
| | | | | \$ 10.01 | 1000 | 001 | OMG |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO Offer becomes a live order and rests passively displayed in the Omega book.

Ex 5. Active Offer Logic

An OLBO Limit Offer order is entered for 1000 shares pre-open. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.00 and TMX prints all of its opening auction orders at the COP.

Active Offer Post open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 4000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO Offer becomes a live order and is routed via the Omega Smart Order Router to the TMX.

Ex 6. Order Protection Rule Functionality (OPRF) Bid Logic:

As of February 2011 the Order Protection Rule (OPR) as outlined in National Instrument 23-101 took effect. Marketplaces are responsible for enforcing book-through/trade-through protection. As a result of this, Omega has implemented order protection functionality. Subscribers have the option of automatically re-pricing their order one tick closer than the far side, to cancel their order, or to route the order to an away market if the original order would result in a book-through or trade-through. Reference prices are provided for by the CBBO.

If OLBO OPRF Bid order is entered for 1000 shares pre-open. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.01 and TMX prints all of its opening auction orders at the COP.

OPRF Bid Post -open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 5000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |
| OMG | 001 | 1000 | \$ 10.00 | | | | |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO OPRF Bid becomes a live order, is re-priced to \$10.00 and rests passively displayed in the Omega book.

Ex 7. Order Protection Rule Functionality (OPRF) Offer Logic:

An OLBO OPRF Offer order is entered for 1000 shares pre-open. The OLBO order is not displayed and is considered to be inactive and cannot be interacted with by any other order type. The TMX Calculated Opening Price (COP) is \$10.00 and TMX prints all of its opening auction orders at the COP.

OPRF Offer Post open:

| Bid | | | | Offer | | | |
|----------|-----------|------|----------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 001 | 5000 | \$ 10.00 | \$ 10.01 | 5000 | 001 | TMX |
| | | | | \$ 10.01 | 1000 | 001 | OMG |

In the above scenario, immediately following the COP the CBBO is \$10.00 by \$10.01 and the OLBO OPRF Offer becomes a live order, is re-priced to \$10.01 and rests passively displayed in the Omega book.

B. Expected Implementation Date:

Even though this is not a mandatory change Omega intends to provide a 90 day notice, in addition to the time required for both regulatory review and public comment we expect the Opening Limit Bid/Offer (SOR/OPR) order type to be operating before March 31st 2013.

C. The Rationale for proposed Change:

OSI (Omega Securities Inc.) supports market innovation and competition. The new order Opening Limit Bid/Offer (OLBO) is a new order type with which we intend to provide some competition to the current order types that occur at open. By adding another venue where special open order types can occur, we believe will add some much needed competition to the current landscape at the opening bell.

D. The expected Impact of the proposed Significant Change on Market structure for Subscribers, Investors and capital markets:

Omega ATS believes the impact of the proposed change to be minor for subscribers, investors, vendors and the capital markets. Subscribers and vendors will need to amend their systems as they would for any new order type. These changes would be voluntary, based on their desire to use these order types. Vendors would be required to make edits to their current programs to allow for this new order type on Omega ATS. Given the long timelines we have in place for the implementation of this order type, there shouldn't be any major issues with anyone who wants to participate.

E. Expected impact of the Significant Change on Omega Securities 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; the trades will occur at the same trading fees as other similar trades on the Omega ATS platform. Other than the necessary technology changes of adding an order type, we have no intention of creating a new cost on our subscriber community.

3/ Introduction of a new order type Cross at Calculated Opening Price & Cross at Market on Close

(X-COP/X-MOC):

A significant Change subject to public Comment

A. Description:

The Cross at Calculated Opening Price (X-COP) and Cross at Market on Close (X-MOC) order type is intended to aid institutional participants to print crosses on Omega at the Calculated Opening Price (COP) or the Market On Close (MOC) calculated by the primary market. In keeping with UMIR 8.1 all principal/client crosses for volumes of less than 50 standard trading units or \$100,000.00 will have the client side price improved or rejected depending on market conditions.

X-COP orders may be entered to the Omega ATS marketplace at any time between 8:30-9:29 am by the matching system and will be held until the official open of the individual security. X-MOC orders may be entered at any time after 3:40 pm and will be held until the official MOC is disseminated to Omega and the subsequent intentional cross is put-through.

Ex 1. Calculated Opening Price Intentional Cross (X-COP):

Prior to the official COP, in the Omega marketplace's continuous pre-market session an RBC participant (002) enters an X-COP order for 1,000,000 shares. The order is held by Omega ATS until the official COP is established by the TMX. This order is inactive and does not rest in the book.

TMX Book Pre-Calculated Opening Price (COP):

| Bid | | | | Offer | | | |
|----------|-----------|-------|----------|----------|-------|-----------|----------|
| Exchange | Broker ID | Size | Bid | Offer | Size | Broker ID | Exchange |
| TMX | 007 | 1,000 | \$ 10.01 | \$ 10.01 | 1,000 | 009 | TMX |
| TMX | 085 | 500 | \$ 10.01 | \$ 10.01 | 500 | 033 | TMX |
| TMX | 053 | 800 | \$ 10.01 | \$ 10.01 | 800 | 072 | TMX |
| TMX | 099 | 400 | \$ 10.01 | \$ 10.01 | 400 | 001 | TMX |

At the open, the TMX COP facility has determined that the securities Calculated Opening Price is \$10.01. Due to OPR protection, the theoretical CBBO could be \$10.00 by \$10.01 or \$10.01 by \$10.02 or any wider spread variation. For the sake of our example, post-COP the top of book is established at \$10.00 by \$10.01.

In the above scenario, immediately following the COP Omega X-COP facility matches the trade as a cross for RBC (002) at \$10.01 at 09:30:002 am. There is no required displacement of visible liquidity at this price, as the X-COP will execute prior to any shift in the CBBO.

| Time & Sales | | | | | | |
|--------------|----------|-----------|-------|--------|---------|-------|
| Time | Price | Vol | Buyer | Seller | TadeCon | MktPI |
| 09:30:002 | \$ 10.01 | 1,000,000 | 002 | 002 | XT | OMG |
| 09:30:001 | \$ 10.01 | 800 | 053 | 072 | COP | TMX |
| 09:30:001 | \$ 10.01 | 500 | 085 | 033 | COP | TMX |
| 09:30:001 | \$ 10.01 | 1000 | 007 | 009 | COP | TMX |

In this example RBC (002) has achieved its objective of printing a cross at the COP without participating in the TMX COP facility. The RBC (002) trader's order could have been entered and/or cancelled at any time prior to the opening print.

Ex 1. Market On Close Intentional Cross (X-MOC):

Prior to the official MOC, during the Omega continuous market session and after 3:40 pm an RBC participant enters an X-MOC order for 1,000,000 shares. The order is held by OSI until the official MOC is established by the TMX and is disseminated by Omega ATS Marketplace. This order is inactive and does not rest in the Omega ATS book.

At the close, the TMX MOC facility has determined that the securities official closing price is \$10.01. Often, immediately following the final print, the spread will tend to move wide as participants cancel orders in the post market. For the sake of our example, post-MOC the top of book is established at \$9.50 by \$10.50.

Post Market On Close Book:

| Bid | | | | Offer | | | |
|----------|-----------|------|---------|----------|------|-----------|----------|
| Exchange | Broker ID | Size | Price | Price | Size | Broker ID | Exchange |
| ALF | 007 | 200 | \$ 9.50 | \$ 10.50 | 500 | 009 | ALF |
| ALF | 085 | 300 | \$ 9.00 | \$ 11.00 | 200 | 033 | ALF |
| CHI | 053 | 200 | \$ 8.50 | \$ 11.50 | 100 | 099 | CHI |
| OMG | 099 | 100 | \$ 8.00 | \$ 12.00 | 200 | 001 | OMG |

After the MOC participation orders have been printed and the closing price for the individual security has been disseminated by OSI, the X-MOC order will execute the Intentional cross at the same price as the closing print.

| Time & Sales | | | | | | |
|--------------|----------|-----------|-------|--------|---------|-------|
| Time | Price | Vol | Buyer | Seller | TadeCon | MktPI |
| 16:05:001 | \$ 10.01 | 1,000,000 | 002 | 002 | XT | OMG |
| 16:05:000 | \$ 10.01 | 35,000 | 007 | 009 | MOC | TMX |
| 16:05:000 | \$ 10.01 | 8,500 | 085 | 033 | MOC | TMX |
| 16:05:000 | \$ 10.01 | 11,500 | 053 | 099 | MOC | TMX |

As this order type does not become live until the Calculated Closing Price is disseminated, and is not subject to interference, there is no need for the participant that entered the order to displace any visible liquidity.

B. Expected Implementation Date:

Even though this is not a mandatory change Omega intends to provide at least 90 days notice, added to the time required for both regulatory review and public comment we expect this new order type to be operating before March 31st 2013.

C. The Rationale for proposed Change:

OSI supports market innovation and competition. The new order type Cross at Calculated Opening Price (X-COP) and Cross at Market on Close (X-MOC) are two new innovative order types with which we intend to provide some competition to the current crosses that occur on other exchanges at the open and close of the primary market. By adding another venue where a cross can occur using the opening or closing price we believe will add some much needed competition to the current landscape.

D. The expected Impact of the proposed Significant Change on Market structure for Subscribers, Investors and capital markets:

OSI believes the impact of the proposed change to be minor for subscribers, investors, vendors and the capital markets. Subscribers and vendors will need to amend their systems as they would for any new order type. These changes for subscribers, investors and capital markets would be voluntary based on their desire to use these order types. Vendors would be required to make edits to their current crossing programs. Given the long timelines we have in place for the implementation of these order types, there should not be any major issues with anyone who wishes to participate.

E. Expected impact of the Significant Change on Omega Securities 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.